Charter Number Two:

The centennial history of

The First New Haven

National Bank

Salmon P. Chase, 1808–1873,
Lincoln's Secretary of the Treasury
Father of the National Banking System

Charter Number Two: The Centennial History of the First New Haven National Bank

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Preface

In the spring of 1961, a committee representing the officers and directors of The First New Haven National Bank invited the author "to prepare a history of the institution which would do credit to the oldest National Bank in the United States on the occasion of the hundredth anniversary of the National Banking System." The projected volume was to hew to the standards of the historical profession and, at the same time, to appeal to the general reader.

The committee members—President J. Coy Reid together with Vice-Presidents Thomas Hooker and Donald F. Bradley—knew exactly what they wanted and spelled it out with clarity. What they wanted was a history of the National Banking System as seen through the grass-roots experiences of the oldest unit in that system. Their idea appealed to the author, who agreed to accept the invitation.

If this little book fails to achieve the high goals set for it by the Bank's committee, the shortcomings must be attributed to the writer. Messrs. Bradley, Hooker, and Reid—together with many of their associates—have given every conceivable form of cooperation. Nothing has been spared to make the author's task more satisfying or his finished product more effective.

Mrs. Zara Jones Powers, research assistant in the preparation of this volume, made a thorough investigation into the Bank's Records for the past hundred years. The materials she gathered represent the basic source for the writing. Her accuracy, comprehension, and sense of selectivity make her the kind of research

assistant every historian dreams about, but then doubts if one exists. And her graciousness makes working with her a delight.

My colleague and friend, Professor Chris Argyris of the Department of Industrial Administration, Yale University, gave me peace of mind by reading the typescript and commenting on it. Mr. William F. Hasse, Jr., of the Bank's staff, author of two useful books on banking in Connecticut and New Haven, gave friendly cooperation on a number of occasions. Mr. Harry P. Harrison, head of the Circulation Department of the Yale University Library, together with several of his associates, was consistently helpful. Mr. James W. Boyden, Manager of the Carl Purington Rollins Printing-Office of the Yale University Press, and Mr. Alvin Eisenman, Professor of Graphic Design at Yale, combined their experience and talents to produce a handsome, appropriate volume.

As in the instance of previous books, long and short, that this author has written, he was constantly conscious of the interest and encouragement of his wife. Herself the daughter of a onetime president of a national bank in West Virginia, she seemed to listen to the chapters of this work, while they evolved, with even more critical concern than she had to earlier studies dealing with such subjects as Southern Romanticism.

R. G. O.

New Haven
September, 1962

Contents

Illustrations

I

The Background of the National Banking System

On February 25, 1963, the American people may properly celebrate an important anniversary—the completion of a century of experience with the National Banking System. The passage of the National Currency Act, February 25, 1863, which established that System, deserves to be bracketed with the Federal Reserve Act, of December 23, 1913, as one of the two most significant pieces of financial legislation in the history of the United States.

Salmon P. Chase, Lincoln's secretary of the treasury, sponsored the Civil War measure. A newly organized group in New Haven, Connecticut, made the first application for a charter as a national bank under the Chase Act—and then deferred to Jay Cooke, the chief financial agent of the Union, who wished "Charter No. 1" for his First National Bank of Philadelphia. In due course The First National Bank of New Haven received "Charter No. 2." History, however, finally fulfilled the New Haven desire to have the nation's oldest national bank, for the Philadelphia institution had become a state bank by the time of the Centennial Anniversary and consequently had been obliged to surrender "Charter No. 1." Hence the "Charter No. 2" bank celebrates the Centennial as the claimant to the proud title of "The oldest national bank in the United States."

The object of the present study is to present a brief account of the hundred-year history of the National Banking System, as discernible in the progress of the oldest unit in that System. By keeping in mind the significant developments on the national scene, while focusing upon the grass-roots activities of a single local institution, we should be able to trace an important theme in the

growth of the American economy from the Civil War to the present Cold War.

What was the background of Chase's measure? What had the earlier American banking experiences revealed as to its need? What were its objectives? Our story properly begins with a consideration of these questions.

From the establishment of government under the Constitution, in 1789, to the early months of the Civil War, the currency and banking problem had plagued the United States, for it became a controversial issue between those who favored a stronger national government and those who favored more power in the hands of the individual states. Viewed in retrospect, the first "Bank of the United States," fathered by Alexander Hamilton in 1791, to operate for a period of twenty years, and the second "Bank of the United States," promoted by Henry Clay and his associates in 1816, to function for another twenty years, both represented adherence to the belief that the national government should supervise the financial life of the country. And the virulent onslaught against the second Bank of the United States by President Andrew Jackson, which resulted in its death between 1832 and 1836, just as surely typified the conviction that the state-chartered banks should be allowed to go their way with no interference from a national institution.

Regardless of the merits in the over-all theories of "strong central government" and "decentralized powers to be held as much as practicable by the individual States," money and banking present peculiar problems in a growing economy, which transcend theoretical generalizations and demand specific, reasoned solutions. This fact had become clear to Salmon P. Chase, the new secretary of the treasury, as early as the summer of 1861, when he and his cabinet colleagues were staggering under the exigencies of a mighty, national emergency—the War for the Union.

Because of Jackson's destruction of the second Bank of the United States, the financial structure of the country had hobbled along on a decentralized basis for twenty-five years. State banks issued paper currency, whose value varied with the soundness and policy of the individual banks and with the nature of the banking laws of the individual states, all of which legislated different requirements. The Lincoln government entered upon its task of

waging a major war, handicapped by an unstable, heterogeneous circulation of money and a decentralized collection of state banks ill-equipped to aid in a properly organized financing of the struggle.

Secretary Chase, sensitive to the banking needs of the country as a result of his services as United States senator and governor of Ohio, moved for a national system that would restore the type of control exercised by the Hamilton and Clay Banks of the United States in a more modern, effective manner. His objectives were: a stable, general currency; a fiscal leadership at Washington; a sound method of raising funds to win the War for the Union; and rallying the bankers behind Lincoln.

The National Currency Act of February 25, 1863, establishing the National Banking System, laid the foundation for the achieving of Chase's objectives.

This, in brief summary, is the background of our story. Let us look more closely at the details of that background before analyzing the legislation itself and the granting of Charter No. 2, under its provisions.

A distinguished economist once wrote of the peculiarities of American financial history: "In no country of the world has National finance been so quickly and so violently affected by political environment and current economic experience as in the United States." He further declared: "A complete and satisfactory treatment of the financial history of the United States might well involve, therefore, the bases of American political philosophy, as expressed in Constitutional Law and judicial interpretation, and also a view of the material extension of the country as witnessed in the unparalleled growth of agriculture, manufactures, mining, transportation, and foreign commerce."[1] While no such overwhelming canvas is contemplated here, the painter will try to bear in mind the implications of these statements.

The earliest banks in the United States were chartered by individual states, shortly after the winning of independence and even before the adoption of the Constitution in 1789. They were the Bank of Massachusetts (later the First National of Boston) and the Bank of New York, both incorporated in 1784. Next came the

1. Davis Rich Dewey, *Financial History of the United States* (12th Edition, New York, Longmans, Green, and Company, 1936), p. 3.

Providence Bank (later the Industrial National Bank), a Rhode Island institution, dated 1791. Connecticut chartered three state banks in 1792: The Hartford Bank, the Union Bank of New London, and the New Haven Bank (recently consolidated into The First New Haven National Bank, and therefore of special significance to the present project).[2]

The three principal activities of these institutions, and the others like them, down to the establishment of Chase's National Banking System in 1863 were the making of loans, the acceptance of deposits, and the issuing of state bank bills for currency. When these banks made loans, they gave their currency notes to the borrowers. The more currency a bank could push into circulation, the larger it became. But the farther away from the issuing institution these bills would wander, the longer it took before they could be returned for redemption—and the greater the discount they sold at.[3] All this promoted both lack of uniformity and underlying instability in the currency system.

Alexander Hamilton, Washington's secretary of the treasury, understood the inadequacies of a fiscal system rooted in a disjointed collection of state banks and the heterogeneous supply of paper currency they issued. He deplored bank notes worth a dollar in one locality and eighty cents in another. His efforts to bring a stabilizing, comprehensive factor onto the American fiscal scene led to the creation of the first Bank of the United States at Philadelphia, in 1791, chartered by Congress for a period of twenty years. Bray Hammond prefers to call this institution "The Federal Bank," despite the fact that, in its own day, people referred to it as "The National Bank" or "The Bank of the United States." Hammond prefers his term as a method of differentiating both the first B.U.S., of 1791, and the second B.U.S., of 1816, from the Chase National Banking System, of 1863. He adds: "Since the Bank [B.U.S.] was federal, since it resembles the present Federal Reserve Banks, and since it was quite unlike the National Banks of today [under the Chase setup], I choose the anachronism as the lesser evil."[4]

2. William F. Hasse, Jr., *A History of Money and Banking in Connecticut* (New Haven, privately printed by the Whaples-Bullis Company, 1957), pp. 2–3.

3. *Ibid.*, p. 21.

4. Bray Hammond, *Banks and Politics in America—From the Revolution to the Civil War* (Princeton, Princeton University Press, 1957), p. 205 n.

Hamilton's Federal Bank aroused opposition from the more rabid defenders of states rights and of the maxim that "the national government which governs least, governs best." But a decade or more after its establishment, "Doubting Thomas" Jefferson had to listen to his secretary of the treasury praise the institution as a safe place of deposit for the public monies, a useful agent for government borrowing, an aid to the prompt collection of the revenue, a speedy transmitter of funds from one part of the country to another, and a provider, through its honored bank notes, for a uniform part of the circulating medium. It also arranged prompt payment of the salaries of government officials, including President Thomas Jefferson, Secretary of the Treasury Albert Gallatin, and a bevy of congressmen, who continued to attack it as unconstitutional.[5]

Viewed in retrospect, Hamilton's Federal Bank not only provided a sound issue of bank notes itself but exerted an important stabilizing influence upon the entire fiscal structure of the country by refusing to accept the notes of any state banks not redeemable in specie. When its charter expired in 1811, American banking lapsed into a chaotic condition, from which it was rescued only by the establishment of the second Bank of the United States, in 1816. Henry Clay, who had voted against rechartering the first Federal Bank in 1811, had learned his lesson from the War of 1812, the prosecution of which had been seriously weakened by the lack of a national banking setup. In a wave of surging national enthusiasm, often characterized by historians as "The Era of Good Feeling," Clay and his associates created the second Bank of the United States. Chartered by Congress for twenty years from 1816, it was capitalized at $35,000,000, one-fifth of which was to be provided by the Washington government, with five of the twenty-five directors to be appointed by the President. The functions of the new bank were to be, in general, similar to those of the Hamilton-sponsored institution of 1791, and like it, the new institution had headquarters in Philadelphia.

Some particularly appealing historians of our day have succeeded in creating the image of the second Bank of the United States as the "Hydra-headed monster of corruption," just the way Andrew Jackson described it in the heat of political controversy. These chroniclers portray a tight-fisted group of heartless B.U.S.

5. *Ibid.*, pp. 206–209.

directors doling out loans to distressed farmers and then seizing the property pledged as collateral by the harried agrarians. From these accounts, Nicholas Biddle, president of the second Bank of the United States, emerges as "The Villain" and Andrew Jackson, vigorous president of the United States, appears as "The Protector of the Common Man."

Bray Hammond, the most thorough student of the second Federal Bank, describes this interpretation as "fanciful." He shows that "the Bank did not wish to lend to farmers, and farmers did not wish to borrow from it. It lent chiefly to merchants and other businessmen, most of whom owned some land." He also finds that a lot of the real hostility against the second B.U.S., upon which Jackson could capitalize in his attack, lay rooted in the rivalry between New York bankers and the federal institution centered at Philadelphia. Powerful also among the enemies of the "Federal Bank" were the state banking interests, and allied business groups, who felt their potential for inflationary expansion curbed by the second B.U.S. That there was some agrarian hostility, especially in the Ohio Valley and probably rooted in ideological differences, is undeniable. That it provided useful grist for the mill of Andrew Jackson is equally undeniable.[6]

The most convincing evaluation of the significance of the second B.U.S. that the present writer has seen is likewise from the pen of Mr. Hammond, who was impressed by the institution's "performance of a rounded and complete central banking function. It acted . . . as the balance wheel of the banking system. It regulated the supply of money; restrained the expansion of bank credit; governed the exchanges; safeguarded the investment market; protected the money market from the disturbing force of Treasury operations and of payments on balance, inter-regional and international; and facilitated Treasury operation vis-à-vis the rest of the economy. . . . Moreover, the Bank performed these functions deliberately and avowedly, with a consciousness of quasi-governmental responsibility and of the need to subordinate profit and private interest to that responsibility."[7]

Jackson's destruction of the second B.U.S. proved to be a political move of great value to him and to his party, but appraised in perspective it was an economic blunder of the first magnitude, for

6. *Ibid.*, p. 279.
7. *Ibid.*, pp. 323–325.

it deprived the Washington government of a needed role in American banking during the quarter-century between 1836 and the outbreak of the Civil War.[8] While the country expanded to its "Manifest Destiny" limits on the Pacific and the Rio Grande—while a diversified economy exploited the lessons of the Industrial Revolution—while immigration from Germany and Ireland swelled the population to hitherto undreamed of totals—a banking and currency system that even Hamilton and Clay had found outmoded and defective prevailed into the day of Lincoln and Chase. So great was the burden of this Jacksonian legacy that, while an individual or an incorporated business might borrow from a state bank, the national government could not do so. State banks could, and did, flood the country with their issues of paper money, of fluctuating values; but the United States was limited to the issuance of specie through the Treasury Department.

Then came April, 1861! When the shore batteries at Charleston, South Carolina forced the lowering of the flag at Fort Sumter, the antiquated fiscal framework of the country could no longer be tolerated. If the Union were to be preserved, armies, navies, and able leaders must be provided. Vast quantities of food, guns, uniforms, and all the rest must be procured by the Washington government. And behind all these needs lay the basic need for enormous amounts of money to finance the war effort.

President Lincoln, inexperienced in tasks of such overwhelming size but possessed of a great growth potential, turned to a man equally inexperienced in fiscal matters but well trained in administrative and legislative procedures, Secretary of the Treasury Salmon P. Chase of Ohio.

In appearance, Chase was one of the most striking men of his era—six feet tall, of majestic manner, with a strong, handsome face. He impressed people much as Daniel Webster had, as a statesman of obvious power backed by an enormous reserve of still more power. He dressed impeccably. More respected than loved, he had come to Lincoln's Cabinet with a distinguished record behind him—as a successful lawyer, an energetic leader in the U.S. Senate, an efficient governor of Ohio. Inordinately ambitious, he had hoped to attain the presidency for himself and, like some of his colleagues in the Cabinet, felt he was better fitted for the job than the lanky, groping fellow who held it. As a result,

8. *Ibid.*, pp. 719–772.

he often displayed bad temper when clashing with his chief. But the latter, a keen judge of character and ability, overlooked the rigidity and bitterness of his secretary of the treasury. He praised Chase for his devotion to the moral issues involved in the War, especially for his hatred of the institution of slavery. And when Chase finally felt obliged to resign from the Cabinet, in 1864, Lincoln made him chief justice of the United States Supreme Court.[9]

The greatest tribute ever paid to Salmon P. Chase came from Abraham Lincoln himself, who declared: "Chase is one-and-a-half times bigger than any other man I ever knew."[10]

The National Banking System was established by a statesman who cast a long shadow in his lifetime; Abraham Lincoln said so. The System has proved a fitting memorial to such a man, as we shall see.

9. Albert Bushnell Hart, *Salmon Portland Chase* (Boston, Houghton, Mifflin Company, 1899), pp. 415–435.

10. *Ibid.*, p. 435.

II

Chase's Law of February, 1863, and Charter No. 2

When Secretary Chase submitted his first annual Treasury Department report, in December, 1861, he indicated his intention to restore the national government's onetime monetary responsibilities. But in place of the Federal Bank concept of Hamilton and Clay, he proposed a system of national bank corporations, which would give the country a stable currency and simultaneously would become large lenders to the government. He played down this second role, in the beginning, with the hope that the War would soon end. This hope proved ill-founded, and Chase's next report, of December, 1862, presented a demand for his System in terms of a keystone to the whole financial arch of the country. The new national banks were to interest the important financiers in the success of the government's struggle to preserve the Union; they were to provide a uniform, stable currency, and to eliminate the heterogeneous issues of state bank notes; they were to absorb and sell the United States bonds needed to sustain the war effort.[1]

In the early years of the fighting, Congress preferred to concentrate on raising money by taxation—higher tariffs and higher excise taxes—together with the issuance of "greenbacks," legal-tender paper money backed by nothing except the credit of the Washington government. There were $450,000,000 worth of these greenbacks printed, their value in terms of gold fluctuating in accordance with the success and failure of Union military activities. Taxation—even with the imposition, for the first time in American history, of an income tax—raised less than $700,000,000 during the four years of war. It gradually became clear that new

1. Bray Hammond, *Banks and Politics in America*, pp. 723–725; A. B. Hart, *Salmon Portland Chase*, pp. 236–252.

techniques for obtaining the necessary billions of dollars must be found. The floating of large loans, in the form of United States bonds, appeared the soundest solution.

During the first eight months of 1861, Chase found great difficulty placing small loans through the existing state banks of the North, even the best of them. He became convinced that these institutions were inadequate financial intermediaries between the national government and the American people. His Treasury Department reports of December, 1861, and December, 1862, reflected this growing conviction—as well as his belief that Congress possessed ample authority, under its Constitutional powers "to lay taxes, regulate commerce, and regulate the issue of coin," for providing the National Bank System he demanded.

On January 17, 1863, the secretary of the treasury secured from President Lincoln a special message to Congress asking for the passage of a national banking act. On February 25, 1863, the proposal became law, after a vote of 23 to 21 in the Senate and of 78 to 64 in the House. Defective in many particulars, the so-called "National Currency Act" was amended in June, 1864, to conform more faithfully to Chase's blueprint. Finally, on March 3, 1865, after the architect of the System had resigned and had been replaced by Secretary Fessenden, a third law was passed which placed a ten per cent tax on all state-issued bank notes. This provision, originally suggested by Chase, eliminated the troublesome state-bank paper currency of the prewar period from the American financial scene and rounded out the national setup envisioned by its creator.[2]

The exigencies of the Civil War had not only clarified the need for the new banking system; they had also made its adoption easier. The state banks, supported by some of the Democratic newspapers, opposed the new measures bitterly, but the people in general approved them. Senator John Sherman of Ohio seemed to speak both for Chase and for the North as a whole, when he argued for the Act of February, 1863. He deplored the older setup as "a multiplicity of banks—1642 established by the laws of thirty-four different States—with no uniform national currency, no common regulator, no check or control. . . . It is necessary to unite the in-

2. Hart, *Salmon P. Chase,* pp. 276–289. David Donald, editor, *Inside Lincoln's Cabinet —The Civil War Diaries of Salmon P. Chase* (New York, Longmans, Green, and Company, 1954), pp. 40–45.

terests of the government, the banks, and the people by one uniform common system." The brilliant senator from Chase's home state further declared that the new National Banking System would furnish a needed market for government bonds to finance the Union armies and would "promote a sentiment of nationality to replace the great evil of the day, the principle of State rights seeking to overthrow the great national authority."[3]

While both Chase and Sherman had visualized that many state banks would convert to national status after the passage of the law of February 25, 1863, they were disappointed in this expectation. Hundreds of new national banks were chartered before the first such conversion took place. The third Banking Act—that of February, 1865—with its prohibitive ten per cent tax on state-issued bank notes, became necessary to integrate the state institutions into the new framework. After this measure, state banks could either continue to function in a more limited manner than previously, without the privilege of note circulation, seek a special status within the over-all National System, or apply for a charter as a national bank.[4]

Before proceeding to New Haven and to the establishment of its new First National Bank, with Charter No. 2, we should briefly review the importance of the legislation under which that charter was issued.

The Chase Act, of February 25, 1863 (strengthened by the subsequent measures of 1864 and 1865), created a uniform circulation of bank notes in place of a circulation dependent upon the laws of thirty-four states and the varying policies of over 1,600 private banking corporations. It thus gave the country a safe, stable currency for the first time in a quarter of a century. By tying this currency circulation to the buying of United States bonds, the new system stimulated the chief means of financing the Union war effort.

The national bank currency was based upon ninety per cent of the purchases of United States bonds made by the newly chartered national banks. The latter were required to possess a minimum

3. The pertinent excerpts from Sherman's argument are to be found in Bray Hammond, *Banks and Politics in America,* pp. 725–727. Some objections to Chase's banking act, on the local level, appear in the New Haven *Register,* March 3, 1863. Fear is expressed for the future of the state banks.

4. Hammond, *Banks and Politics in America,* pp. 731–734.

capital of $300,000, in order to obtain a charter under the Chase Act—and one-third of this capital had to be invested in U.S. securities. Thus a bank that bought $100,000 worth of U.S. bonds (and deposited them in Washington) could then have the federal government print for its circulation $90,000 in bank notes, bearing the bank's name and the signatures of its principal officers.

While the new national banking setup got under way slowly after February, 1863, it did become the principal bulwark in the financing of the successful War to Preserve the Union—and the basic framework within which the American banking and monetary system would operate thereafter.

According to the census of 1860, New Haven, with 40,000 inhabitants, was the largest city in the State of Connecticut; it shared the honor of co-capital of the commonwealth with Hartford, a city of 30,000. The New Haven assessment list of 1860 noted 4,500 "Dwelling Houses," 232 factories, 507 stores, five insurance companies, and fourteen banks. The latter included eleven regular state-chartered commercial institutions, and three savings banks.

Originally founded by Theophilus Eaton, John Davenport, and a prosperous company of English Puritans in 1638, the town of New Haven had become incorporated as a city in 1784. As it progressed from a small colonial settlement to an industrial and cultural center of the Civil War period, the City on the Sound had maintained a remarkable consistency in three areas of activity: an emphasis on religion; a concern for education; and a drive for economic advancement bracketed with civic improvement.[5]

While the New Haven of 1800 revealed a tiny isolated community of less than 6,000 people, dependent on infrequent stagecoaches and sailing packets, quite the opposite condition had come to prevail by 1861. No less than four sets of railroad tracks brought the trains of four independent railway companies into the city. In addition, four steamboat companies maintained local offices and facilities. Telegraph offices, a horse streetcar company, a water company equipped with miles of cast-iron mains and lead pipes, dozens of lampposts spreading the magic of gaslight over paved roads and well-made sidewalks—all revealed that this was a com-

5. Rollin G. Osterweis, *Three Centuries of New Haven, 1638–1938* (New Haven, Yale University Press, 1953), especially pp. 313–318.

pletely up-to-date urban unit. Unlike the many New England cities that were dominated by a single industry, New Haven boasted a vast number of medium-sized plants engaged in manufacturing many diverse products: carriages, firearms, clocks, hardware, rubber products, paper boxes, shirts, cigars, pianos, corsets, and marble table tops.

Brownstone public buildings, in the Victorian Gothic style, Tuscan-villa mansions on historic Hillhouse Avenue, and a profusion of beautiful churches all suggested that the busy factories and stores were enhancing the prosperity of the inhabitants. The city's most renowned institution likewise manifested this same spirit of growth and improvement: Yale College comprised more than double the number of buildings it had possessed in 1800 and displayed promise of its future development into a great university, with the nineteenth-century additions of "A Scientific School," "A Medical College," and "A Law School."[6]

Between 1830 and 1861, large numbers of immigrants from Germany and Ireland had settled in New Haven, integrating into the life of the city with a rapidity that reflected great credit on both their own adaptability and on the hospitable reception accorded to them by the older elements of the population. By the outbreak of the Civil War, some of these newcomers had achieved prominence in the industrial, commercial, and general life of the area; all of them felt they were "New Haveners."

At 4:30 on Friday morning, April 12, 1861, General P. G. T. Beauregard, commanding Confederate States of America forces at Charleston, ordered the bombardment of Fort Sumter. The next afternoon, Major Robert Anderson, U.S.A., accepted terms for the evacuation of his garrison from the fort. During the Friday lunch hour, cries of "Extra" resounded through the streets of New Haven, as newsboys rushed about peddling copies of the *Palladium,* containing two columns of telegraphic reports about the fighting in Charleston harbor. The impact was electrifying. The New Haven Grays hurried to their Chapel Street armory and hoisted the Stars and Stripes, an example that was quickly followed all over the city. President Lincoln issued the first call for volunteers on Monday, April 15. Governor William Buckingham ordered the formation of the First Connecticut Regiment, centered at

6. *Ibid.*, pp. 313–318.

Hartford, on Tuesday, and of the Second Connecticut, at New Haven, on Thursday. By May 10, the Second, with Colonel Alfred Howe Terry in command, had been organized and given its preliminary training at Brewster Park; it sailed that day from Long Wharf on the steamer *Cahawba* to join the Lincoln forces gathering around Washington.[7]

As the war went on, Governor Buckingham called for more and more regiments. Wherever the Union armies marched in strength—in the Peninsula Campaign, at the bridge over Antietam creek, at Marye's Heights near Fredericksburg, along the Carolina coast, at Gettysburg, during the long march from Atlanta to the Sea, at Appomattox Courthouse—Connecticut regiments appeared in the line, and many of these included large New Haven delegations.

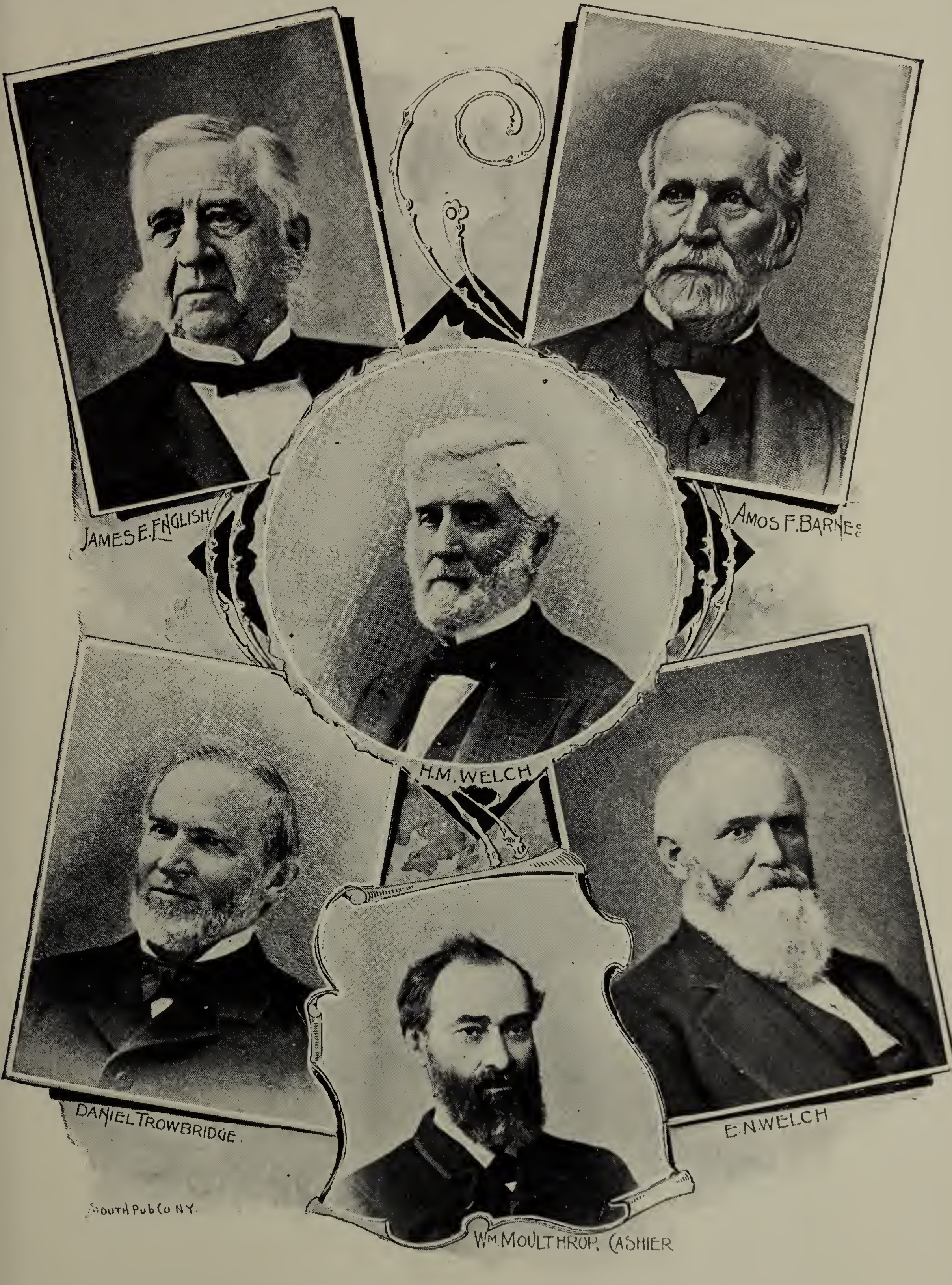
The need for raising huge sums of money to support the Union war effort became gradually apparent to the Lincoln administration, as we have seen. Secretary Chase emerged as the symbol and prime mover for a better financial structure; and his plans soon had their local repercussions in the ancient city on the Sound.

Between February 25, 1863, when President Lincoln signed Chase's act providing for a new system of national banks, and May 2, four prominent citizens busied themselves with the plans that led to the formation of The First National Bank of New Haven. They were: Harmanus M. Welch, manufacturer, banker, and currently mayor of the city; Amos F. Barnes; Daniel Trowbridge; and James E. English, member of the U.S. Congress from the New Haven district and future governor of Connecticut. These four, along with Elisha N. Welch, of Bristol, subscribed $300,000 for stock in a proposed national bank, in accordance with the minimal requirements of the new law.

On May 2, the Articles of Association of "The First National Banking Association" were submitted to Washington, together with a request that their currency be available to them by the first of June. On May 14, the group petitioned Washington for permission to use the name, "The First National Bank of New Haven," and eleven days later forwarded an amended form of their Articles of Association to the Treasury Department.

James English, temporarily resident at the Capital as a member

7. *Ibid.*, pp. 319–320.



The founding fathers of The First National Bank of New Haven

of Congress, acted as agent for his associates in dealing with the Treasury officials. It was agreed that the First Certificate of Authority to commence business would be awarded to the New Haven corporation, since it was the earliest petitioner. At that point, Jay Cooke of Philadelphia and Washington, chief financial agent for the negotiation of loans by the Lincoln government, sent in a petition for a certificate on behalf of his Philadelphia banking group. The Treasury Department was anxious to comply with Cooke's earnest request that his First National Bank of Philadelphia receive Charter No. 1, but felt stymied because his petition had come in nearly four weeks after the one from New Haven. Congressman English, with a gracious, patriotic gesture, solved the government's dilemma, indicating that Charter No. 2 would be satisfactory enough for him, and that Mr. Cooke should be given the coveted first certificate.

Charter No. 2 was awarded on June 20, 1863, to The First National Bank of New Haven, which opened its doors for business on the second floor of the Cutler building, at the corner of Church and Chapel streets, July 1. Charter No. 1 had been issued that same June day, by the comptroller of the currency, to the First National of Philadelphia. Simultaneously, charters 3 and 4 were issued to the First National of Fremont, Ohio, and the First National of Stamford, Connecticut. These became the first four institutions chartered under the Chase Act.[8]

When The First National Bank of New Haven received its charter on June 20, 1863, it was completely organized and ready to commence business, a fact that presents several interesting questions to the historian. Should the beginning of the institution be dated from March, when an informal conference of the four originators took place in the office of Mayor Harmanus M. Welch? At that time, the parties present—Mayor Welch, Daniel Trowbridge, Amos F. Barnes, and James E. English—agreed that together with Elisha N. Welch of Bristol they would form a bank, under the National Banking Act of February 25, and that they

8. *Historical Brochure, issued by The First National Bank of New Haven on the occasion of the opening of its new building, in 1895* (New Haven, 1895). There is a copy in the Yale University Library. See also William F. Hasse, Jr., *A History of Banking in New Haven* (New Haven, The Whaples-Bullis Company, 1946), pp. 50–51.

would subscribe $300,000 for 3,000 shares at $100 each. Mayor Welch agreed to take 1,000 shares, and the other four obligated themselves for 500 shares apiece.[9]

We do not know the exact date of that March meeting, but we do know that the Preliminary Certificate and Articles of Association, prepared by E. J. Sanford, were filed with the comptroller of the currency, on May 2. We also know that the first meeting of the Board of Directors was held on May 16 and that the directors on that occasion certainly acted as though they considered themselves "a body corporate." We also know that the United States Treasury Department issued a ruling, in 1881, that "the organization of a national bank shall be regarded as having commenced from the date of its organization certificate and not from that of the certificate of the Comptroller, authorizing the Association to commence business." In 1882, in accordance with this ruling, the Treasury Department notified The First National Bank of New Haven that its founding date was—April 10, 1863! This was apparently "the date of its organization certificate."[10]

Well, there it is. Shall the Founding Date be "sometime in March," or April 10, or May 2, or May 16—or June 20?

The present chronicler casts his decision for June 20, for two reasons. First, and most important, because of the specific provision in Chase's Act of February 25, which states: "But no association shall transact any business except such as is incidental and necessarily preliminary to its organization until it has been authorized by the Comptroller of the Currency to commence the business of banking." And that authorization came to The First National Bank of New Haven with the issuance of Charter No. 2, on June 20, 1863![11] Regardless of earlier meetings, or later regulations issued by comptrollers of the currency, this would appear to be decisive evidence for the Founding Date. The second, or supporting reason, for accepting this date is the fact that when the

9. Records of the Directors' and Stockholders' meetings of The First New Haven National Bank, 1863–1963. In manuscript. Hereinafter referred to as "Bank Records," with pertinent dates. This material is from the 1863 records, which include copies of the Preliminary Certificate, the Articles of Association, and the Comptroller's Authorization to begin business on June 20, 1863.

10. Bank Records, 1881–1882. *Report of the Comptroller of the Currency for 1881* (Washington, D.C., Government Printing Office, 1882), p. 7. See also Chapter IV, footnote 15.

11. The National Currency Act of February 25, 1863, Section 5136.

first brief official history of the Bank was issued in 1895, it contained no mention about the ruling of the Treasury Department, in 1881–1882, for using April 10; this ruling appears to have been regarded as a technicality by the Bank's leaders, in 1895, who must have been familiar with it—and who, nevertheless, accepted June 20 as their Anniversary Date without question.[12]

The people of New Haven, engrossed in the pressures of a war period, became gradually aware that a new national bank was about to open in their city. The *Register* reported in April that numerous applications for national banking associations were being contemplated throughout the country. Then, in June, it announced the resignation of Harmanus Welch from the office of mayor of New Haven, without specifically mentioning the new duties he was about to assume. But simultaneously it also informed its readers that "William Moulthrop, for the past nine years teller of the Quinnipiac Bank has been appointed Cashier of the new National Bank in this city, and an excellent officer he will make, too." Finally, on June 15, the newspaper declared: "The First National Bank has taken rooms on the second floor, in Cutler Corner [southeast corner of Church and Chapel streets], where the institution will open business as soon as the necessary arrangements can be made. It is understood that our late Mayor, Harmanus M. Welch, Esq., is to be President of the company, and Mr. Moulthrop, Cashier."[13]

On July 1, 1863, The First National Bank of New Haven opened its doors for business. Its Board of Directors comprised the original five stockholders. Its capital stock had been set at $300,000, with the privilege of increasing to $500,000. The Association was to continue for nineteen years, unless dissolved earlier by vote of a majority of the stockholders. Provision had been made for procuring and depositing with the secretary of the treasury $100,000 in U.S. government bonds, as required by Chase's Act. President Harmanus Welch and Cashier William Moulthrop were voted annual salaries of $1,000 each. The banking premises in the Cutler building were leased for five years—$500

12. *Historical Brochure of The First National Bank of New Haven, 1895.*

13. New Haven *Register,* April 21, June 2, June 3, June 15, 1863. See also *Register,* June 22, for publication of the official notice of the comptroller of the currency that The First National Bank of New Haven had been authorized, as of June 20, to operate under the provisions of the National Currency Act of February 25.

rental per year for the first three years, $600 rental for the next two.[14] The original safe for the Bank was built at a cost of $950. It stood fifty-one inches high, forty-six inches wide, and thirty-four inches deep—and was described as "both fire and burglar proof"![15]

14. Bank Records, directors' meetings of May 16, May 21, June 1, 1863.
15. Hasse, *A History of Banking in New Haven*, p. 51.

The first home of the Bank, in the Cutler Building, at the southeast corner of Church and Chapel Streets, 1863–1866


National

III

The First Decade of The First National Bank of New Haven, 1863–1872

SOME hostility to the new National Banking System coupled with defense of the old-style state banks continued throughout the Civil War, on both general and local levels.[1] The New Haven *Register* of January 5, 1864, carried an editorial entitled "The Federal Banking Scheme," which indicated the bitterness of this hostility. Said the editorial in part: "The new National Banking system, which now claims the attention of the public to so great an extent, will not become permanently established before it has passed the ordeal of deep and earnest suspicion, and searching criticism even from some of the firmest supporters of Mr. Lincoln's administration and Mr. Chase's financial policy." And a week later, on January 12, the *Register,* with apparent relish, quoted the Hartford *Courant* as having declared that Mr. Chase was "disorganizing the present banking system."[2]

While Grant was preparing to lead one great army into the Wilderness and Sherman another toward Atlanta, in the spring of 1864, the *Register* continued to hammer away at the National Banking System. It ran a quotation on April 28 from the Boston *Courier,* which stated: "Mr. Chase's Bank Bill, by which he hoped to screw all the money out of the State banks, and put it in the sieve-bottomed reservoir of the Treasury Department, makes another reference timely to the new fangled cider-press, invented formerly by his father, Deacon Chase. . . . It was to be a very strong press which would squeeze all the juice out without grind-

1. See Chapter II, footnote 3.
2. New Haven *Register,* January 5, 1864, and January 12, 1864.

ing, but the more mellow apples filled the interstices with a pomice in which the harder ones lay imbedded as hard as before . . . The parallel is complete . . . Thus history repeats itself."[3]

The *Register* was taking a position similar to that of many other Northern newspapers oriented to the Democratic party at this time. Its lead editorial on April 29, 1864, was headed, "The War on the State Banks" and began with the assertion: "The scheme of Secretary Chase to crush out the State banks is engaging the attention of Congress and of the press, to some extent, throughout the country."[4]

But despite all opposition, the National Banking System was firmly entrenched as "the financial arch of the country" by the time the Union armies conducted their Victory March through Washington to celebrate the end of the war. Secretary Chase had taken his seat as chief justice of the Supreme Court and, in that capacity, had several opportunities to solidify his wartime fiscal policies. Between 1869 and 1871, Chase's Supreme Court rendered three such decisions. Probably the most significant was in the case of *Veazie Bank v. Fenno, 1869–1870*, in which the chief justice himself wrote the majority opinion. Here he declared that Congress did indeed have the power to prohibit state bank notes by taxing them out of existence, that it did indeed have the right to tax a franchise granted by a state—all this, if necessary, to provide a stable currency for the whole country. The test case of *Veazie Bank v. Fenno,* an attempt to eliminate the ten per cent tax on state bank notes, which Chase had originally sponsored, proved one thing: that Chief Justice Chase, in 1870, was still a firm supporter of the financial decisions made by Secretary of the Treasury Chase in the Civil War years.[5]

Meanwhile, back at the corner of Church and Chapel streets, in the Elm City on the Sound, the local First National Bank was thriving. On August 20, 1863, the directors agreed that their institution should serve as a repository for United States government deposits and that the Treasury Department should hold as security for such deposits the U.S. bonds of the bank above those required to secure the issuance of currency. On January 12, 1864, the annual meeting of the stockholders re-elected the original

3. *Ibid.,* April 28, 1864.
4. *Ibid.,* April 29, 1864.
5. A. B. Hart, *Salmon P. Chase,* pp. 384–388.

directors and officers, increasing Cashier Moulthrop's salary to $1,200 ($200 more than President Welch received) and appointing John R. Hill bookkeeper, at a salary of $400 per year. Four months later, the directors declared "a 5% dividend, free of government tax." On June 23, indication of the Bank's growing importance as a repository of Federal funds emerged from the vote of the Board that "$10,000 additional, in U.S. Certificates of Indebtedness, be placed with the Treasury Department, to secure a total of $50,000 in deposits of public monies."[6]

The New Haven *Register* had carried the Bank's first quarterly statement, for the year 1864, on April 1, showing resources and liabilities of $830,979.98. One need not be an economist to sense the dynamic, healthy implications of the details of this quarterly report, especially the $386,000 in the "Loans and Discounts" item.[7] On October 31, 1864, the Directors voted a dividend of five per cent "on the earnings of the past six months." And during the last week of December they voted to increase the capital stock to $500,000, a provision permitted by their original bylaws.[8]

The Minutes of the directors' meetings for 1865 through 1872 reflect a rapidly growing, soundly managed institution in an increasingly prosperous, industrial community. While President Welch's salary was raised only to $1,200 in 1866, Cashier Moulthrop was now earning $1,600, and Teller Pierce N. Welch and Bookkeeper Hill were drawing $900 each. Presumably the president was still giving a lot of his time to his outside manufacturing interests. Larger quarters were indicated, and, in April, 1865 the Directorate voted "to lease for ten years the store and basement at 337 Chapel Street, known as the Austin Building, for use as a banking house, at an annual rental of $1200."[9]

By 1870, the Bank was able to declare dividends on its stock of eight per cent in April, and another eight per cent in October. The officers and their salaries were now: Harmanus Welch, president, $1,500; William Moulthrop, cashier, $2,300; J. R. Hill, teller, $1,600; M. E. Robinson, bookkeeper, $1,000; and J. A.

6. Bank Records, August 22, 1863, through June 23, 1864.

7. New Haven *Register,* April 1, 1864.

8. Bank Records, October 31, 1864, and December 29, 1864. See also Chapter II, footnote 14.

9. *Ibid.,* January, 1865, through October, 1872. While the lease on the Austin building had been made for ten years, the Bank felt obliged to move again to larger quarters after five. In 1870, they transferred operations to the new structure at 90 Orange Street.

Barnett, clerk, $500. In 1872, dividends of eight per cent and seven and one-half per cent, respectively, were voted at the April and October meetings.[10]

Under the impact of the great War for the Union, the North had begun to evolve into a complex unified collection of industrial communities. The demand for enormous quantities of military supplies had stimulated improvements in the methods of production. The necessity of moving masses of troops had promoted railroad expansion and consolidation. The exigencies of the war effort kept the new developments in somewhat circumscribed channels until after the conclusion of hostilities. But once Lee and Johnston had surrendered, the industrial life of America boomed. The growth of Big Business implied greater concentrations of wealth and population—and greater emphasis, therefore, on urban living.

The impact of the new way of life became immediate in those localities where urbanization and industrialization had already made headway in the pre-Civil War years. Such a locality, of course, was the city of New Haven, which had been moving steadily, from 1840 to 1860, in the directions to which the Civil War impetus would send it speeding headlong.[11]

During September, 1873, the *Register* declared: "There is probably not a city in New England whose comparative growth today equals that of New Haven . . . New streets are opening, new buildings going up, gas and city water extending in every direction, factories building, and all the signs of rapid and prosperous growth meet the eye at every turn."[12]

By the end of its first decade, The First National Bank of New Haven was playing a significant role in the emergence of this modern city, where limestone, brownstone, brick, and iron continued rapidly to replace the wooden structures of an earlier day. America was moving toward maturity; discernible in the first wave was the Elm City; and much of New Haven's dynamic quality was traceable to its banking institutions—savings, state, and national.

10. *Ibid.*, January, 1870, through October, 1872.

11. Osterweis, *Three Centuries of New Haven*, pp. 320–331.

12. New Haven *Register*, September 12, 1873.

The second home of the Bank was in the Austin Building, 1866–1870, on Chapel Street just east of the Exchange Building, near the northeast corner of Church and Chapel Streets


NEW HAVEN ATHLETIC CLUB.
R.M.HOOKER.
COMMISSION AND REAL ESTATE BROKER
R.M.HOOKER.
REAL ESTATE
BROKER.
Savings Bank Loans
NEGOTIATED.
TRUST FUNDS TO LOAN.
ROOM 9.

IV

The Second Decade, 1873–1882: The Panic of 1873, and the Reorganization of the National Banks, in 1882

THE continued improvement in business of The First National of New Haven during its first decade became apparent to everyone in town because of its moves to larger quarters, in 1866, and again in 1870. Whereas the directors had leased the rooms on the second floor of the Cutler building for five years, in 1863,[1] they had found it necessary by 1866 to transfer operations to the Austin building, at 337 Chapel Street.[2] Although they had arranged to occupy the latter quarters for ten years, by 1870 they felt obliged to move again.

From 1870 to 1895, the Bank occupied portions of a five-story building erected by one of its founding fathers, James English. This was at 90 Orange Street, an address which changed to 130–132 Orange Street, when the city engaged in a "renumbering campaign" during 1887. From here, The First National moved to the southwest corner of Church and Crown streets, in 1895. Its present home, 1 Church Street, at the northeast corner of Church and George, was completed in 1961, on land formerly owned by descendants of Governor English.[3]

The sturdy iron and brick building at 90 Orange Street, and the solidly managed institution it housed, stood firm during 1873 when a financial panic of considerable magnitude rocked the

1. See Chapter II, note 14.

2. See Chapter III, note 9.

3. *Historical Brochure of The First National Bank of New Haven, 1895;* English family scrapbook, consulted through the courtesy of Philip English, Esq.; *New Haven City Directory, 1888.*

United States and inaugurated a five-year depression, the worst the country had ever known.

Behind the Panic of 1873 lay the enormous expansion of railroad systems and industry that had characterized American life since the close of the War for the Union. Overinvestment in railroads, especially in the West where operations were being carried on at a loss, and wild speculation in railroad securities suggested that a day of reckoning might some time threaten the prosperous boom. More than a billion and a half dollars had been borrowed from abroad to help finance the surging expansion, and this meant that huge annual interest charges had to be met. An adverse balance of payments resulted, and the United States was obliged to ship more gold overseas than it could sensibly spare. Some of the new national banks overextended their loans beyond points that their deposits justified. Insurance companies suffered devastating losses in a series of big city fires, including the great conflagrations at Chicago and Boston. Also, business conditions were poor in western Europe.

Then on Thursday, September 18, 1873, the banking firm of Jay Cooke and Company closed its doors in Philadelphia, Washington, and New York. Long regarded as the symbol of financial strength, the Cooke firm, by this action, sent the New York Stock Exchange, already sliding, into a headlong panic. The Exchange was closed for ten days. Bankruptcies followed bankruptcies all about the country; manufacturing and commercial activities slowed down; large numbers of workers were discharged. The country was soon in a disturbing depression.[4]

Though the impact of the Panic of 1873 was nationwide, its effect upon the city of New Haven was surprisingly small.

On September 18, 1873, the *Register* carried two articles about the failure of Jay Cooke and Company—one headed "A Financial Panic" and dealing with news telegraphed from Washington, the other based on a telegraphic dispatch from New York. The latter described the crowds gathering outside the offices of Jay Cooke and Company, at Nassau and Wall Streets.[5] The next day, the

4. General accounts of the Panic of 1873 are available in many American history textbooks. Especially concise, and useful here, was John D. Hicks, *A Short History of American Democracy* (Cambridge, Mass., The Riverside Press, 1943), pp. 455–456. Hicks is an authority on this period.

5. New Haven *Register*, September 18, 1873.

Register carried an editorial that stated: "The suspension of that firm [Cooke] does not, we learn surprise shrewd bankers in this section, who have been expecting trouble in that quarter."[6]

An almost smug sense of security, in the midst of the storm, emerges from the *Register* editorial of September 22 entitled "Shall we get up a Panic?" The newspaper declared with confidence: "At the very worst, the only effect upon us will be to make business dull for awhile."[7]

Even more convincing, perhaps, than these editorial comments were the advertisements appearing in the *Register,* during late September and throughout October, inserted by the local banks. These announced that the various state, savings, and national institutions were paying their regular dividends and offering their regular facilities to the public.[8]

Equally significant, perhaps, for the present project was the *Register's* laudatory article about Harmanus Welch, president of The First National Bank, on October 3. The newspaper urged the election of Mr. Welch, the Democratic candidate for town treasurer, with these words: "Mr. Welch has been in office many years, and the town and city have never lost one dollar, and there has never been the least anxiety. He has dealt with town and city just as he would deal with any of our business men, who deposit money in the FIRST NATIONAL BANK, and we believe that he should receive the support of those who believe in this sort of honest, business dealing."[9]

In that very same month of October, 1873, six weeks after the dramatic failure of Jay Cooke and Company, President Welch's Bank declared a seven per cent dividend, only one per cent less than the amount voted in May. In 1874, the semi-annual dividends were 7% and 6½% respectively; in 1875, 6½% and 6%; in 1876, 5% and 5%; in 1877, 4% and 6%; in 1878, 3% and 3%; in 1879, 4% and 4%; in 1880, 5% and 5%; in 1881, 5% and 5%; in 1882, 5% and 5%.[10] One gets the impression of a steady hand at the helm, and a carefully charted course, as the ship rode out the storm of the long depression that followed the Panic of 1873. There was no panic in James English's building at 90 Orange

6. *Ibid.,* September 19, 1873.
7. *Ibid.,* September 22, 1873.
8. *Ibid.,* September 23, 1873, to October 3, 1873.
9. *Ibid.,* October 3, 1873.
10. Bank Records, October, 1873, through October, 1882.

Street—only a realistic awareness of general conditions and a common-sense, flexible adaptation to them. The original officers and directors continued to serve; two new clerks, Frederick B. Bunnell and Frederick C. Trowbridge, were added to the staff in January, 1877; small salary increases were voted regularly.[11]

The nineteen-year charters of the earliest national banks expired in 1882; and The First National's records for that year are filled with entries describing the procedures required by the federal statutes for "liquidation and reorganization." On April 6, 1882, a special meeting gathered "to consider the expediency of going into liquidation and reorganization under the General Banking Law." The Association voted to go into such liquidation and to close the bank on May 6, with notices of this action to be inserted in the New Haven *Palladium* and the New York *Journal of Commerce*. The cashier was instructed to notify the comptroller of the currency that this action had been taken. The number of shares represented in the vote was listed as 4,915, distributed as follows: President Harmanus Welch, 1,583; James E. English, 833; Amos Barnes, 833; Daniel Trowbridge, 833; Harmanus Welch, attorney for Elisha Welch, 833.[12]

A copy of the new Articles of Association, dated April 10, 1882, was inserted into the records. It provided that the first meeting of the reorganized group was to be held "at 90 Orange Street, on April 11th, or as the shareholders should direct." The capital stock was set at $200,000 in shares of $100 each, with "liberty to increase, in accordance with Section 5142 of the Revised Statutes, to a sum not to exceed $1,000,000." The powers and duties of directors and officers remained substantially the same as they had been in the Articles of Association of 1863, except that the office of vice-president was added, together with a description of its function. The Association, as reconstituted in 1882, was to run for twenty years to April 10, 1902. Appended to the Articles is the certificate of the comptroller of the currency that the institution has complied with all the requirements for operating from April 10, 1882, to April 10, 1902. And on April 19, the stockholders authorized the directors "to assign, transfer, and set over all their right, title,

11. *Ibid.*

12. *Ibid.*, April 6, 1882. While this reorganization was taking place at The First National of New Haven, similar procedures were going on at all of the other original national banks around the country, as required at that time by the General Banking Law.

and interest to the First National Bank of New Haven reorganized under date of April 10, 1882, with the understanding that the new bank would assume all the liabilities of the old."[13]

The directors met on May 6 to carry out the authorization of the stockholders, voting to transfer the entire assets of the bank to its reorganized successor and to instruct the officers to make such transfer. The record of the vote in the Minutes of the meeting is followed by the simple statement, "Done this 6th day of May, 1882," with the signatures of President Welch and Cashier Moulthrop.[14]

Thus the Bank recorded the procedures of its rechartering in the spring of 1882. From rulings of the comptroller of the currency at this time, came the setting of the date, April 10, 1863, as marking the legal beginning of the old Corporation, for Treasury Department purposes, and of April 10, 1882, as the date of the new corporate existence.[15]

Also at this time, the comptroller assigned to The First National Bank of New Haven a new charter number—2682! The Bank operated under this number until the first decade of the twentieth century, when a history-conscious Directorate voted to ask the Treasury Department to restore its "Charter No. 2." And a history-conscious Department complied![16]

The Bank's statement at the time the reorganization of 1882 was completed reveals assets and liabilities totaling $1,788,018.81. The principal items in the asset column are: United States bonds amounting to $380,000, demand loans to $128,000, cash to $176,000, and "Bills Discounted" to $692,000. The liabilities include: capital stock, $500,000, surplus, $112,000; circulation of currency, $315,000; deposits, $779,000; balances due to other banks, $70,000; earnings, $11,000. I have used round figures here.[17]

The same half-dozen men—the five original directors and Cashier William Moulthrop—had guided The First National Bank of New Haven through twenty years of slow, steady development and had prepared their institution for the years of still greater growth which lay in the immediate future.

13. *Ibid.,* April 10, 11, and 19, 1882.
14. *Ibid.,* May 6, 1882.
15. See Chapter II, footnotes 10, 11, and 12.
16. See Chapter VII, footnotes 3, 4, and 5.
17. Bank Records, May 6, 1882.

V

The Third Decade, 1883–1892: An Age of Growth

THE impact of the Industrial Revolution, based upon machine production and the factory system, reached new heights in the America of the 1880's, for it was now aided by revolutionary improvements in communication and transportation. The development of the telephone and the application of electric power to transportation played significant roles in promoting the rapid exchange of large quantities of manufactured products. An expanding industrial civilization called for more efficient railroading; and mighty, unified systems began to replace the diverse, independent companies of the Civil War period.

For example, whereas four separate railroads had served New Haven in 1861, a single system was operating the six lines that ran into the city by the end of the century. The New York, New Haven and Hartford Railroad had absorbed the various independent companies, whose names were preserved in the new transportation setup as "Shore Line Division," "Air Line Division," "Northampton Division," and so on.[1]

In banking, the trend from state-chartered institutions, with no national affiliation, to new national banks or to onetime state Banks integrated into the National Banking System, proceeded with considerable regularity at New Haven. The Elm City Bank, incorporated in 1854, became the Second National Bank of New Haven, during 1864. The following year, five other state banks sought national status: The New Haven County Bank became the New Haven County National Bank; the Merchants Bank changed to the Merchants National Bank; the Tradesmens Bank assumed

1. Osterweis, *Three Centuries of New Haven,* p. 386.

the new title of National Tradesmens Bank; the old Quinnipiack Bank, with which both Harmanus Welch and William Moulthrop had been once identified, changed its name to The Yale National Bank; and the ancient New Haven Bank, dating back to 1792, became the National New Haven Bank (later changed again to New Haven Bank, National Banking Association). These moves left the city with only two state commercial banks—the Mechanics and the City.[2]

More modern banking procedures, to meet an age of increasing industrial and commercial growth, had been instituted at New Haven as early as 1872 with the organization of a local clearing house association. All checks accumulated during the previous day's business were to be cleared through the association and daily balances on exchanges were to be made. Each of the city's nine commercial banks was to act as the clearing house for a period of three months. Each received a number from "no. 1" to "no. 9," in the order of their establishment; thus, the old New Haven Bank of 1792 became "no. 1" and the First National, of 1863, received "no. 9." It is interesting to note that these numbers are still in use, to some extent.[3] When The First National and the New Haven Bank consolidated to become The First New Haven National Bank, in 1957, it took over the "No. 1," formerly used by the town's most ancient banking house.

In reviewing the history of The First National during the 1880's, one is struck by the fact that the same five men who organized the Bank in 1863 comprised the Board of Directors right down to 1887, when the first break came, in the death of Elisha Welch. The last of the "five founding fathers" passed away in 1893. William Moulthrop, their original cashier, continued to hold his important post until he died, in 1890. As for the president, Harmanus Welch kept his firm hand on the helm from 1863 until his death in 1889, when he was succeeded by his son, Pierce N. Welch.[4]

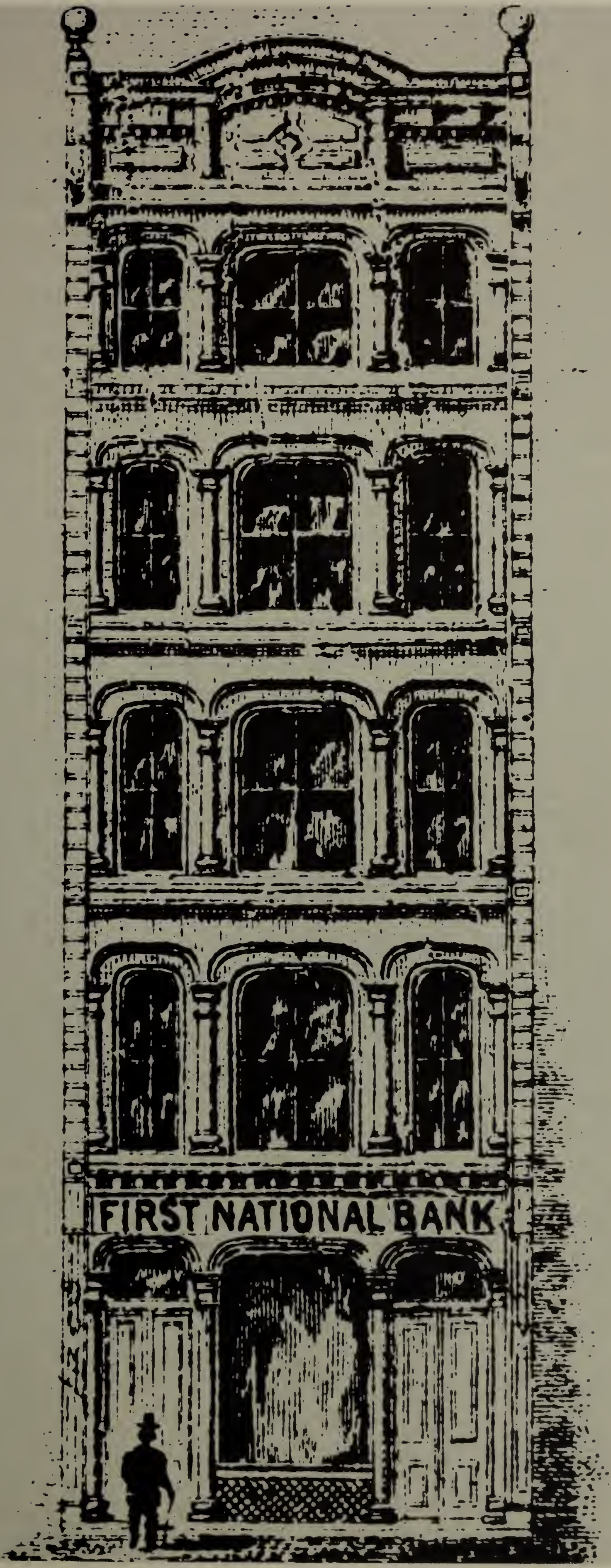
During 1883, the directors voted dividends of four and one-half per cent in April, and five per cent in October. The officers and their salaries were now: H. M. Welch, president, $2,500; William

2. Hasse, *A History of Banking in New Haven*, pp. 53–54.

3. *Ibid.*, p. 61.

4. *Historical Brochure of The First National Bank, 1895*, pp. 9–10.

The third home of the Bank, in the English Building, 1870–1895, on the west side of Orange Street, just north of Chapel Street


FIRST NATIONAL BANK

Moulthrop, cashier, $3,000; H. L. Hill, bookkeeper, $1,500; F. L. Trowbridge, teller, $1,400; F. B. Bunnell, clerk, $1,100; W. H. Moulthrop, clerk, $500; and F. A. Bunnell, clerk, at $5 per week. The office of vice-president, provided for in the new Articles of Association of 1882, was apparently not yet filled.[5]

When Elisha Welch passed away in 1887, the directors gave careful consideration to the question of an appropriate successor. Their candidate, Hiram Camp, civic-minded president of the thriving New Haven Clock Company, received the approval of the stockholders at a meeting held January 10, 1888.[6]

A couple of months later, President Harmanus Welch had the opportunity to demonstrate the vigor with which he was attending to his responsibilities a full quarter century after he had first assumed them. On Monday, March 12, the falling snow heralded the arrival of the famous "Blizzard of '88." No trains reached the city from New York that day; the trolleys slowed down, and then stopped altogether; the Post Office closed its doors; most business houses shut down at the lunch hour. The next day the storm continued, with the snow drifting to the second stories. The *Register* failed to report on the situation, March 13; it never came out! Not until Friday afternoon, March 16, did a train from New York get through to Union Depot. The loss to the city caused by the great storm was estimated at $50,000; two persons froze to death.[7]

During the height of the blizzard, President Welch obtained an ox-drawn sleigh from the Blakeslee Brothers Contracting Company and proceeded to the Orange Street banking house of The First National. As the blizzard continued to howl outside of his office, Harmanus Welch, aged seventy-five, attended to his duties![8]

When, on May 30, 1889, the directors gathered to draw up resolutions on the death of Harmanus Welch, they could soften the sense of sad loss with the realization that their first president had indeed been a man of the highest quality. On July 12, 1889, they chose his son, Pierce N. Welch, Yale, 1862, to be a director

5. Bank Records, January 12, 1883, through 29 October, 1883. See Chapter IV, note 13.

6. *Ibid.,* January 10, 1888. Both Harmanus Welch and James English had been active in the New Haven Clock Company during an earlier period.

7. Osterweis, *Three Centuries of New Haven,* pp. 348–349.

8. Hasse, *A History of Banking in New Haven,* p. 52.

—and then unanimously elected him to be the second president of the Charter No. 2 Bank.[9]

The 1880's, in New Haven, was an age of commercial expansion and industrial growth. There is no better way to grasp this fact than to peruse the pages of Edward Atwater's *History of the City of New Haven, 1784–1884,* published in 1887. Here one meets the hundred or so leading citizens, in finely engraved portraits and biographical sketches, whose shipping firms, stores, and factories appear to be advancing "with leaps and bounds."

Thomas R. Trowbridge is directing an extensive commerce with the West Indies from the unpretentious, hereditary counting room of "The Trowbridges on Long Wharf." Charles H. Townshend is carrying on his family's shipping interests. Edward Malley and Charles Monson are operating large dry-goods stores. Thriving wholesale grocery businesses are being conducted by Amos F. Barnes, "a founding father" of The First National Bank, by Maier Zunder, president also of the National Savings Bank, and by Ezekiel G. Stoddard. One of the largest building supply houses in New England, E. G. Chatfield and Company, flourishes on State Street. The old firms of Bassett and Chamberlain are selling hardware and furniture.[10]

Atwater's chapter on New Haven's manufacturing establishments in 1884 carries the rather presumptuous-sounding title of "The Productive Arts." But as one thumbs through the more than one hundred pages concerned, one is less interested in the pomposity of the title than he is impressed with the diversity and dynamic quality of the Elm City's industrial life at that time. We meet: Eli Whitney, Jr., and Oliver Winchester, firearms; A. B. Hendryx and Company, producers of sixty per cent of all the bird cages made in the world; George A. Basserman, Philip Fresenius, and Joseph Weibel, conducting successful breweries; Robert Redfield and Sons, builders of bridges, docks, dams, and railroads; Henry Hooker, most extensive of the many carriage manufacturers of the city, carrying on an industry made famous by James Brewster in the days before the Civil War; Colonel

9. Bank Records, May 30 and July 12, 1889. Harmanus Welch had been a leader in the promotion of good municipal government and of improved public education in New Haven, a successful manufacturer, a distinguished banker, and a highly respected citizen. His sons gave Welch Hall to Yale, in his memory.

10. Edward E. Atwater, *History of the City of New Haven, 1784–1884* (New York, W. W. Munsell and Company, 1887), especially pp. 506–531.

Edward E. Bradley, maker of carriage wheels for a world market; Lewis Osterweis, pioneer manufacturer of the Connecticut-type cigar; James E. English and Hiram Camp, leaders of the New Haven Clock Company and each in his day a director of The First National Bank; Max Adler, head of the largest corset manufacturing concern in the world, and later, in 1895, to be a director of The First National; J. B. Sargent, whose ever-growing hardware plant now has an annual payroll of over one million dollars; The Candee Rubber Company, formerly headed by Henry Hotchkiss, boasting an enormous new factory, started in 1878 and still adding more construction; The Mallory-Wheeler Company, with five hundred employees engaged in producing locks; The Diamond Match Company, founded by the Beecher family as a pioneer enterprise and now recapitalized at two and a half million dollars; Bernard Shoninger, proprietor of one of the largest piano and organ manufacturing establishments in the United States; Henry C. Rowe, contemporary leader in one of the city's oldest industries, oyster-growing; Joseph Parker, who made the first fine book paper ever produced in the United States from cotton waste and was now developing the first fine American blotting paper; Herrick Frost and Morris Tyler, pioneers in the development of the first commercial telephone exchange, The New Haven Telephone Company.[11]

The list appears endless, but enough has been included to indicate the dynamic nature of the Elm City, in the exciting eighties.

The men who led The First National Bank in these years were all successful manufacturers, real-estate developers, or statesmen, "first citizens" in their own right. By the 1880's, also, they represented an accumulated banking experience of more than twenty years—in the cases of Harmanus Welch and William Moulthrop even more. It is small wonder that their institution played an ever-increasing role in the New Haven of this Age of Growth.

On January 7, 1890, a special meeting of stockholders amended the Articles of Association to permit not less than five and not more than nine directors. The following week the stockholders added T. Attwater Barnes and Henry F. English to the five current directors: Daniel Trowbridge, James E. English, Amos F. Barnes, Hiram Camp, and President Pierce N. Welch. Governor

11. *Ibid.*, pp. 531–635.

English, who had been appointed vice-president without salary in 1889, was reappointed in 1890 but died in March. Two others who had served from the bank's beginning also died this year: William Moulthrop, cashier, and Amos F. Barnes, founder and director.[12]

In 1891 Daniel Trowbridge, one of the original directors, was elected vice-president. During this year dividends were declared, eight per cent in April, and six per cent in October.

In May, 1892, the stockholders chose enough new directors to meet the maximum number of nine, permitted under the amended Articles of Association. The new additions, at this time, were Samuel A. Galpin, Benjamin R. English, Joseph Porter, and Morris F. Tyler. A new office, that of second vice-president, was also created, and Director T. Attwater Barnes became its first incumbent.

At the last meeting of the directors for the year 1892 an action was taken that reflected the fact that The First National Bank of New Haven was ending this decade of growth greatly in need of new and larger quarters. On December 23, the directors "appointed T. A. Barnes, B. R. English, and M. F. Tyler a Committee to look up a site for a Bank Building, and also to get the refusal of the Southwest corner of Church and Crown Streets."[13]

The time had come for the Bank to erect a new home, commensurate with the volume of business and the position of importance it had achieved.

12. Bank Records, January 28, 1889; January 7, 14, 17, 1890.
13. *Ibid.*, various entries from January 17, 1890, to December 23, 1892.

VI

The Fourth Decade, 1893–1902: A Fine New Home

DURING the month of March, 1893, the directors of The First National authorized President Pierce N. Welch "to purchase the lot at the southwest corner of Church and Crown Streets, at a price not to exceed $18,000," and appointed a building committee composed of T. A. Barnes, B. R. English, and M. F. Tyler.[1] The next month, Henry F. English, son of the late governor, and President Welch were added to the Building Committee.[2]

Events moved swiftly after that. On June 27, the Building Committee instructed architect Leoni Warren Robinson "to draw plans and prepare specifications for an 8-story building of steel frame construction, at a cost not to exceed $125,000." On December 12, the Board of Directors accepted Mr. Robinson's design, together with estimates for fixtures and vault, at an over-all estimate of $200,000.[3]

Meanwhile, a sad reminder of the fact that the institution was indeed entering upon a new era in its history occurred during the summer. Daniel Trowbridge, last of the "five founding fathers" passed away on August 18.

All through 1894, the directors were busy with the details of construction—considering bids, changing materials, discussing the rapid rate of the new Otis electric elevators and the problems of wiring the building for telephones. At the same time, the regular business of the Bank appears to have gone on in ever-increasing

1. Bank Records, March 24, and March 28, 1893.
2. *Ibid.*, April 4, 1893.
3. *Ibid.*, June 27 and December 12, 1893.

volume. In place of Daniel Trowbridge and of Hiram Camp, who also died in the summer of 1893, Thomas Hooker and Max Adler were added to the Directorate, January 8, 1895.[4]

An indication of the increased wealth of the community emerges from the discussions about the Bank's sponsoring a "Safe Deposit and Trust Company," an operation which evidently required a separate state charter in those days. By early September, 1895, The Trust and Safe Deposit Company of New Haven had been organized, with 1,000 shares of capital stock, all subscribed by directors of The First National Bank, as follows: T. Attwater Barnes, 300 shares; Pierce N. Welch, Henry F. English, Max Adler, Morris Tyler, Joseph Porter, 100 shares each. On October 4, the Board of The First National voted to rent to this new company quarters in the banking house at 42 Church Street, at an annual rental of $2,500.[5]

Later in that month of October, the directors appointed Messrs. Welch, Barnes, and Hooker as "a committee to get up a book to contain views of the bank inside and out, together with a sketch of its history and such other facts as may seem desirable."[6]

The finished brochure must have been issued very late in 1895, or more probably early in 1896. It contained, on the inside cover, the Bank's statement of July 11, 1895. This revealed assets and liabilities of $1,675,196.41. The resources included: loans and discounts, $839,088.95; U.S. bonds, $50,000; stocks and bonds, $154,695.89; banking house, furniture, and fixtures, $243,336.57; due from banks, $260,013.57; gold, silver, and cash items, $128,061.43. Listed among the liabilities were: capital stock, $500,000; surplus and profits, $249,835.78; circulation outstanding, $45,000; due to banks, $9,328.62; deposits, $871,031.01.[7]

An analysis of these items leads the historian to two significant observations. First, the condition of the institution itself was sound and dynamic. Second, there was something very wrong in the over-all currency situation of the United States, when an important unit in the National Banking System held only $50,000

4. *Ibid.,* January 9, 1894, through January 18, 1895.

5. *Ibid.,* January 18, 1895, through October 4, 1895.

6. This is the 24-page pamphlet frequently referred to in these notes as *Historical Brochure of The First National Bank, 1895*. See Chapter II, footnote 8; Bank Records, October 25, 1895.

7. *Historical Brochure of the Bank, 1895, op. cit.,* p. 2.

of U.S. bonds, as a basis for only $45,000 circulation of bank notes, in a period and in a locality of vast industrial growth.[8]

But let us leave the problem of currency stringency for discussion later and take a closer look now at the new home of The First National Bank as it must have appeared to the New Haveners of 1896.

The ground floor of the building afforded ample room both for the business of the Bank and for quarters rented to the "Safe Deposit and Trust Company of New Haven." The seven stories above contained the most modern office space in the city and were being rapidly rented out by Benjamin R. English, acting as agent for his fellow directors. The general architectural design drew on the then-popular Italian Renaissance style. The first two stories, on both street fronts, were faced with Stony Creek red granite, from Branford, Connecticut. The walls above the second story were faced with light-colored bricks of an old gold tone, trimmed with dark brown terra cotta. The entrance into the building was at 42 Church Street, through a carved portal and into a vestibule finished with marble.

Near the entrance stood two rapid electric Otis elevators, running to the top of the building; behind these a fireproof staircase proceeded from basement to roof. "The elevators make the ascent to the eighth floor in about twenty seconds"! The building was fireproof throughout, constructed with the so-called "skeleton-steel system." All the floors in the halls, corridors, and toilet rooms were marble mosaic, with marble base. The building was piped throughout for gas, and also arranged for electric lights. And there was a complete system of wires for telephone service.

The "Banking Room" on the first floor was a magnificent affair, a noticeable feature of which was "the ladies' lobby, where ladies could reach the counters of both the paying and receiving tellers through special windows." According to the *Historical Brochure of 1895*, "New bank-bills will always be given to ladies in payment of their checks"! The bank vault was described as the most modern piece of work in this region, equal in strength and completeness to anything of its kind in the entire country.[9]

8. This weakness in the American currency system will be considered at length in the next two chapters.

9. *Historical Brochure of the Bank, 1895, op. cit., passim.*

The directors of 1895 had planned their new home with thoroughness, and also with vision. The First National Bank of New Haven operated effectively at 42 Church Street for the next sixty-six years, although it was obliged to take over more and more of the building for its own purposes as the twentieth century marched forward. By 1961, it would require a large, eight-story structure all to itself.

After 1895, the Minutes of the meetings of directors and stockholders appear to have been kept in greater detail than hitherto and give a much fuller picture of the Bank's operations. No doubt, the more complex character of the portfolio, as well as the general increase in volume of business, demanded the keeping of more complete records.

On January 17, 1896, the salary scales were adjusted, as follows: Pierce N. Welch, president, $2,000; T. A. Barnes, vice-president, no salary; F. B. Bunnell, cashier, $2,900; F. L. Trowbridge, paying teller, $2,300; F. A. Bunnell, receiving teller, $1,450; J. J. Jacobus, bookkeeper, $1,900; discount clerks, W. H. Moulthrop, $1,500, Leroy Clark, $700, Marshall Embler, $450, B. F. English, $450. Also it was voted that each director should receive one dollar for attendance at each regular meeting and ten dollars if serving on the "Examining Committee." It was further voted that a special new committee be appointed to consider the bonding of the Bank's employees.[10]

The Bank's portfolio of stocks and bonds, as well as the all-important item of loans made and notes discounted, become of considerable interest to the historian, in the nineties. For one observes in these areas an ever-increasing involvement in financial matters far removed from the Elm City and its industries, in addition to the large volume of local business. In September, 1896, the directors voted to accept large notes of H. B. Claffin and Company (dry goods, New York City) and of the Westinghouse Electric and Manufacturing Company, both at nine per cent discount. The Claffin notes, based apparently on "receivables," figure prominently in the minutes from this date on, for a long time.[11] In the fall of 1899, the president was authorized to buy the following notes: D. Appleton and Company, New York

10. Bank Records, January 17, 1896.

11. *Ibid.*, September 4, 1896, and 1896–1902, *passim.*

publishers, and A. G. Spalding and Brother, New York sporting goods house, each $5,000; Carter, Macy and Company, New York tea house, endorsed by A. B. Beers, $5,000; a note of $10,000, secured by certificates of the United Railway Company at St. Louis; a note of D. and A. Oppenheimer, private bankers of San Antonio, Texas, for $15,000, endorsed by Lewis Osterweis; a note of The Carriage Steel Company, Limited, for $25,000. During the same period the Bank was buying $10,000 worth of the bonds of the Utica, New York, Water Company, and selling "certain bonds in view of the low state of our account in New York."[12]

On October 13, 1896, the directors voted "on motion of Major Barnes, to thank Mr. James H. Welch for his donation of a fine portrait of his father, Mr. Elisha N. Welch, one of the Original Five Directors of this Bank, to be hung in the Directors' Room."[13] And on September 10, 1897, the Board voted its "thanks to Mrs. Elsie M. Montgomery for her gift of a portrait of her grandfather, Mr. Daniel Trowbridge."[14] Earlier that same year, the directors instructed the president to look into the matter of "putting up a tablet in memory of the Original Directors."[15]

Toward the end of the century, one gets the impression from the Bank Records that the directors were well aware of the currency stringency that had stimulated such political movements as "the Greenback party" and "the Free-Silver" exponents, while being unimpressed by the solutions that these groups had advocated. On August 20, 1898, we find the notation that "it is the sense of the Board that at least $50,000 of the 3% United States bonds, lately purchased, shall be used to take out new circulation"; and a similar entry appears with the minutes of the meeting of October 28.[16]

In addition to the national currency problem, dramatized for the people at large by William Jennings Bryan's "Cross of Gold" speech and by the political campaigns of 1896 and 1900, there were also local difficulties to preoccupy the directors of The First National, in the midst of their continued successful operation. For

12. *Ibid.,* October 20, to December 19, 1899.
13. *Ibid.,* October 13, 1896.
14. *Ibid.,* September 10, 1897.
15. *Ibid.,* January 19, 1897.
16. *Ibid.,* August 20 and October 28, 1898.

example, on March 13, 1899, the New Haven *Register* published an article entitled "Elevator Fell Four Floors." According to this account, an elevator boy in The First National Bank building narrowly escaped serious injury when his elevator, apparently out of proper order for the last two weeks, dropped, and was halted just before it reached bottom.[17]

The alert directors of the Bank, ever jealous to protect its good name, swung out four days after, "authorizing Mr. B. R. English to take such action as would cause the New Haven *Register* to apologize for its false statement of an accident to our elevators, on Saturday, March 11th."[18]

More significant was the action taken three months later at a stockholders' meeting, when it was voted to elect Professor Arthur T. Hadley, distinguished economist about to become president of Yale, a director of The First National Bank.[19]

Yale and its brilliant new president were soon involved in a great celebration, marking the two-hundredth anniversary of the establishment of the college. The First National apparently made some effort to support its new director on this important occasion, for on October 25, 1901, the Minutes note "the warm thanks of President Hadley for our cooperation in making the Bi-Centennial Commemoration of Yale University a success."[20]

However, the newly strengthened tie with Yale produced some headaches as well as glory. It seems that the university treasurer had opened a checking account, on behalf of the Bi-Centennial celebration, with The First National, and then requested interest on it. The directors voted, on December 22, 1899, "That no interest should be allowed on any such account whatever."

Shortly after, Yale withdrew its account and did not place another one with The First National for many years![21]

17. New Haven *Register*, March 13, 1899.

18. Bank Records, March 17, 1899.

19. *Ibid.*, June 30, 1899.

20. *Ibid.*, October 25, 1901.

21. The complete story of this incident, told in a delightfully good-natured manner, may be found in the unpublished "History of The First National Bank of New Haven, 1863–1929," an essay by President Thomas Steele, read at the Bank's Christmas party, December 19, 1929. Typescript of the essay loaned to the author by the Bank.

VII

The Fifth Decade, 1903–1912: American Currency Problems

When Secretary Chase and his associates set up the National Banking System, during the Civil War, they had several motives in mind: the establishment of a stable, uniform currency; the improved financing of the Union war effort through the tying of the new currency circulation to the purchase of United States bonds; and the general promotion of what Senator Sherman called "a sentiment of nationality to replace the principle of State rights, seeking to overthrow the national authority."[1] All of these objectives met with considerable success.

While this fiscal policy proved effective for the particular period that evoked it, a significant weakness emerged from its continuation into the postwar years. The basic difficulty was as follows: the tying of the national bank currency to the bonded indebtedness of the federal government resulted in a limited supply of money during an age when the industrial and commercial life of the country was expanding at an unprecedented rate, and when the government was paying off its debt. For example, the per-capita circulation of money in the United States declined from thirty-one dollars in 1865 to nineteen dollars in 1875.

Looking at the situation more comprehensively: the amount of national bank notes in circulation during 1880 was $340,000,000; during 1885, $318,000,000; during 1890, only $180,000,000. When recalling the industrial growth of the country during that decade,[2] one begins to sense a serious financial problem.

1. See Chapter II, footnote 3.
2. See Chapter V.

This shortage of currency, translated into practical terms, meant that money was "dear" and commodity prices were "low." Or, in other words, the agricultural interests of the United States were doomed to a period of hardship, despite the prosperity of the industrial regions. Hence those farming groups would lead the agitation, from the 1870's into the twentieth century, for "cheap money and high commodity prices." From these groups came the "Greenback Party" and "The Free Silverites," calling for inflation of the currency in one way or another to make their debt burdens more bearable.

The picture is easier to understand if one will consider this hypothetical case. A western farmer mortgages his farm in order to obtain money. An insurance company lends him $1,000 on the mortgage, at eight per cent plus two per cent amortization. This means that the farmer must pay about $100 annually, for the use of the borrowed money. Under a condition of limited currency circulation, money is "dear" and commodity prices are "low." Our farmer gets $500 for his crop, and of this he owes twenty per cent at once on his mortgage debt. But, if conditions of "cheap money" (inflated currency) prevailed, commodity prices would be resultingly high and the farmer might receive $1,000 for his crop. He would still owe the same $100 for his mortgage debt, or ten per cent, and would have $900, instead of $400 on which to live. Hence he demanded "cheap money."

What was the relationship of the National Banking System to this problem of the debtor, especially the debtor farmer, during the last quarter of the nineteenth century? In the first place, it controlled the currency circulation, which was tied to a contracting United States bonded indebtedness, a condition that guaranteed "dear money" and "low commodity prices." In the second place, national banks had to be highly capitalized, under Chase's laws, and few rural areas could support them; this left the farmer at the mercy of less well-regulated money lenders. Thirdly, national banks were forbidden to grant loans based on mortgages; hence most farmers could not borrow from them, since their collateral was usually limited to their farms.

Against this background we may better understand the agitation for currency reform which played a role in American presidential campaigns from 1868 to 1912. Debtor groups argued first that the war bonds, which had financed the struggle for the Union, should

be redeemed in paper money. Congress decided against this in the legislation of 1869, which called for "Redemption in Coin." The Inflationists next moved for an unlimited supply of greenbacks. Congress decided, by 1879, that the $350,000,000 worth of these unsupported paper notes still in circulation should be made a limited, permanent part of the currency system of the country, redeemable, for all practical purposes, in gold; thus, another victory for the Contractionists, or "Sound Money" people.

In this quest for solutions, the debtor groups, led by the western farmers, turned next to Silver. They felt that this might prove a more acceptable inflationary device, inasmuch as its supply was obviously more limited than the printing of "Greenbacks."

From 1834 to 1873, bimetallism had been legally in force in the United States. That is to say, possessors of gold or silver could have their bullion minted into coins at Treasury offices; the ratio of the two metals was fixed at sixteen to one. However, from a practical viewpoint, we really had gold monometallism during this period, since silver was out of "voluntary" monetary use; it was worth more not minted, at the established current rate of sixteen to one, if sold for jewelry or dental purposes.

In 1873, an Act of Congress froze this actual system of gold monometallism into law, by simply omitting the standard silver dollar from the list of coins that were to be made at the mint. This routine currency measure, recognizing in law a condition which had long existed in fact, soon became known as "The Crime of 1873." During 1875, huge silver lodes were discovered in Colorado, Utah, and Nevada. Silver was no longer at a premium, in relation to the sixteen-to-one ratio, but was now worth less than gold. It became profitable to have silver minted into dollars rather than sold to the dentist or jeweler. But when the possessors of silver bullion approached the Treasury offices with requests that their silver be minted into dollars, they were told that the "Law of 1873 had demonetized silver." The debtor groups, especially in the West, declared in rage: "The American Banking interests engineered 'The Crime of '73,' in order to force the single gold standard on the world for the benefit of the Creditor Classes and to guarantee a dearer dollar."

As we have already noted, when the law of 1873 was passed, it had been a mere routine measure, which gave legal sanction to a

long-existing situation. However, within the next ten years, England, Germany, Scandinavia, France, Switzerland, and Italy, all abandoned bimetallism and went on the single gold standard. This suggests that the so-called "Crime of 1873" might well have been a very wise measure for the American position in international finance. Without it, we might have tended to become "a dumping ground" for the world's increasing supply of silver, and thus a victim of Gresham's Law—according to which, when two kinds of money of unequal value are in concurrent circulation, the inferior tends to drive the better out of circulation.

At all events, the Silverites began to agitate for unlimited coinage of silver in Congress during 1875. The Bland-Allison Act of 1878 and The Sherman Silver Purchase Act of 1890 both represented concessions to them in the form of "Limited Coinage of Silver" measures. The Panic of 1893 led to the repeal of the Sherman Act, as President Cleveland felt that the debased silver currency, even though limited, was driving the gold out of circulation and contributing to the economic depression.

The death blows to the Silverite Movement came in the elections of 1896 and 1900—especially the former. William Jennings Bryan became the standard-bearer of both Democratic and Populist parties, united behind the drive for bimetallism. The people had been stirred by the peroration of his great July 8, 1896, speech: "You shall not press down upon the brow of labor this crown of thorns; you shall not crucify mankind upon a cross of gold." But they heeded the warning of Republican boss Mark Hanna and Republican candidate William McKinley that "an untried Democratic leader, with an unsound economic policy," would ruin the United States. They handed Bryan a smashing defeat in the election of 1896 and again in 1900.

On March 14, 1900, Congress passed the so-called "Gold Standard Act," reaffirming the old law of 1873, which made the gold dollar the standard unit of value. It also reaffirmed the legal tender quality of the $500,000,000 worth of silver dollars issued as a result of the Bland-Allison and Sherman Silver Purchase Acts. In another provision, often forgotten, the Act further stipulated that small national banks might be established in rural areas with capitalizations as low as $25,000.

This legislation of 1900 was praiseworthy in ending the fears which had accompanied the "cheap money" agitation and in

making some attempt to assist the farmers. But it did not solve the basic problem of a too stringent supply of currency.

However, the banking interests of the country, more and more aware of the difficulty as the years went on, cooperated with the federal government between 1900 and 1912 in sponsoring investigations, reports, and some remedial measures. These activities, in which Republicans, Democrats, and Progressives all played contributory roles, led eventually to the landmark of a distinguished solution—the creation of the Federal Reserve System, in 1913.

Meanwhile, back at 42 Church Street, The First National Bank of New Haven had entered the twentieth century, and, in 1902, had renewed its charter for another twenty years.[3] There is some evidence that the directors had tried to get back their prized "Charter No. 2" designation at this time, but the *Report of the Comptroller of the Currency, for 1903* shows them still listed with the "No. 2682" assigned to them in 1882.

Then on March 2, 1909, the Bank Records indicate that "It was the sense of the Board that it would be well to attempt to regain our original Number Two." Director Max Adler enlisted the aid of his son-in-law, Colonel Isaac M. Ullman, a Republican party leader, to help regain the coveted charter number. The times were propitious, for the Colonel had been a staunch supporter of the recently inaugurated President of the United States, William Howard Taft.

On March 19, the Minutes report that "The Comptroller of the Currency having informed the cashier that, on the request of Mr. Isaac M. Ullman, this Bank is permitted to resume its original number Two, it was voted that the hearty thanks of the Board be extended to Mr. Ullman, and also to Senator Bulkeley [Republican, of Connecticut], for their successful efforts, in our behalf, in this matter."[4]

According to the *Report of the Comptroller of the Currency, for 1910,* the Charter No. 1 Bank, the First National of Philadelphia, had already recaptured its original number when it had received

3. Bank Records for 1902. See also Chapter IV, footnotes 12, 13, 14, 15, and 16.

4. Bank Records, March 2 and 19, 1909. *Report of the Comptroller of the Currency, for 1903.*

its second extension in 1902. The Report added that a group of other national banks, first organized in 1863, have now "been accorded the same consideration." The list is headed by "No. 2—The First National Bank of New Haven, Connecticut."[5]

The author recalls being completely mystified, in his youth, by a lamp affixed to the corner of the Bank's building, at Church and Crown, which bore the proud, but to most people, bewildering legend, "Charter No. 2." He is relieved to be solving the mystery in its entirety, forty years later. The directors must have been so pleased at getting their prized "Number Two" back, in 1909, that they just had to advertise it—in this restrained and, to the general public, mystifying manner.

During the early years of the twentieth century, the leaders of The First National were constantly involved in the affairs of The New Haven Trust Company, which they had sponsored, in 1895, as "The Trust and Safe Deposit Company of New Haven."[6] On January 6, 1903, they appointed a committee "to consider a new lease of the Charnley property and alterations needed in order to use part of it for the New Haven Trust Company." The Charnley property was at 40 Church Street, just south of The First National's new building. A later meeting of the directors revealed that "it was deemed proper to charge The New Haven Trust Company an annual rent of $3,000."[7]

It is interesting to note that this New Haven Trust Company merged, in 1910, with the older and larger Union Trust Company, which had been founded in 1868 under the leadership of Henry Hotchkiss. The consolidated institution took the name of The Union and New Haven Trust Company and operated at 57 Church Street from 1911 to 1928. In the latter year, it moved into the beautiful twelve-story building it had erected on the northeast corner of Elm and Church streets, facing the lovely New Haven Green. It had become one of the largest trust companies in Connecticut by 1928, and was in the process of developing an important commercial department as well.[8] Thus, there is a kind of historic tie between "The Trust Company" and "The First," since the

5. *Report of the Comptroller of the Currency, for 1910,* p. 23.

6. See Chapter VI, footnote 5.

7. Bank Records, January 6, April 14, April 24, and April 28, 1903. For the exact terms of the lease, see Bank Records, June 25, 1903.

8. Hasse, *A History of Banking in New Haven,* pp. 57 and 75.

latter had really created one of the component units that finally made up the former.

The Bank's Records, between 1903 and 1912, reveal how far-reaching its financial interests had come to extend. From Connecticut, the directors were voting to purchase notes of The New Departure Company, in Bristol, and The Yale and Towne Manufacturing Company, in Stamford. From New York, they were continuing to buy the paper of H. C. Claflin, and some from John Wanamaker, as well. From elsewhere in the country, the portfolio had begun to include the notes of Washburn-Crosby, flour company of Minneapolis, The Wabash Railroad, The Savannah Electric Company, The St. Louis, Iron Mountain, and Southern Railway Company, The Electric Light and Power Company of Baltimore, The American Woolen Company, The Wheeling and Lake Erie Railroad, the Rock Island and Pacific, The St. Louis and San Francisco, and on and on. One observes especially the large number of notes "accepted for discount" from railroads, during these years.

Then, beginning in November, 1906, the directors began to show confidence in another form of transportation. Under entries of November 6, 1906, January 11, 1907, and May 14, 1907, they voted to buy the paper of the following companies: The Cadillac Motor Company, a $10,000 note, at six per cent; The Knox Automobile Company, $5,000, at six and one-half per cent; The Locomobile Company, a note offered by the Mayo Automobile Radiator Company as a means of opening a new account with The First National.

The operations of the Loan Department read like a general history of New Haven for this period. On October 11, 1907, the directors approved a loan of $6,500 to St. Raphael's Hospital; on December 20 of the same year, they voted to lend $25,000 to the New Haven Gas Light Company. Frequently, the Board voted "to extend a regular line of credit of $25,000, with maximum of $50,000," to various local commercial and industrial houses.[9]

When the New Haven Trust Company merged with The Union Trust Company, in 1910, and prepared to leave the premises of The First National, the latter voted "to continue the Safe Deposit business, on its own account," and to take over the vault

9. Bank Records, 1903–1912.

used for that purpose.[10] Simultaneously, the directors decided to buy and improve the adjoining building at 40 Church Street, which the New Haven Trust Company had been occupying under a subleasing arrangement. It was contemplated that this property would eventually be used for The First National itself.[11] The new safe deposit department of the Bank appears to have opened for business in April, 1911, with Leroy Meyers in charge. And during December of the following year, some of the operations of The First National moved into "the new store at 40 Church Street."[12]

In October, 1909, President Pierce N. Welch passed away; and, on November 23, the directors elected Thomas Hooker to be his successor, by a unanimous vote. At the stockholders' meeting, January 11, 1910, the following Board was elected: Thomas Hooker, Henry F. English, Benjamin R. English, Max Adler, Arthur T. Hadley, Henry C. White, William A. Warner, Fred G. Hotchkiss, Pierce N. Welch, Jr., Edwin P. Root, and Fred B. Bunnell.[13]

A few days later, the directors voted the following officers and salaries: Thomas Hooker, president, $5,000; Benjamin R. English, vice-president, $1,000; Fred B. Bunnell, cashier, $4,500. Messrs. Hooker, H. F. English, and Max Adler were named to the all-important Loan Committee.[14] It is interesting to remark here that at long last the president of The First National had begun to receive a larger salary than the cashier!

The arrival of the "public-relations expert" on the American scene received recognition from the Bank in 1912, when President Hooker was authorized by the Board to "accept the proposition of Francis R. Monson of Cleveland, Ohio." Mr. Monson had agreed to furnish, for twenty-five dollars a month, "expert advice as to the best means of developing and increasing the business of the bank, by supplying copy for newspaper ads, circulars, etc."[15]

One gets the impression that these were happy years in New Haven and in the country generally—relatively care-free and characterized by an easy tempo of life. The world outside of the

10. *Ibid.*, January 25 and July 26, 1910. See also footnote 8, of this chapter.
11. Bank Records, November 22 and December 13, 1910.
12. *Ibid.*, April 25, 1911, and December 17, 1912.
13. *Ibid.*, October 29 and November 23, 1909; and January 11, 1910.
14. *Ibid.*, January 14, 1910.
15. *Ibid.*, March 29, 1912.

United States was probably interesting enough, but a chap could ignore it if he chose and concentrate on local improvements, national politics, and the pleasant use of leisure time.

The election of 1912 seemed terribly exciting but certainly not disturbing. The candidates were all fine fellows—Woodrow Wilson of Princeton, Teddy Roosevelt of Harvard, Bill Taft of Yale. It looked somewhat like a college crew race. The *Register* reported that 40,000 people filled the streets in the Crown and Orange neighborhood, where the paper had erected an electric bulletin board for announcing election returns on November 5.[16]

All of the candidates had been pledged to work for reform in the Currency System. The panic of 1907 and the depression that followed it were still fresh in people's minds. The Vreeland-Aldrich Act, passed in 1908, had provided a bit more elasticity to the national currency; and Nelson Aldrich had accepted the chairmanship of a commission to restudy the whole American Banking System.

When President Wilson took office in March, 1913, the stage had been set for a solution to the currency weaknesses which had plagued the economic life of the country since shortly after the close of the Civil War.

16. Osterweis, *Three Centuries of New Haven,* pp. 399–400.

VIII

The Sixth Decade, 1913–1922: The Federal Reserve Act

At the beginning of this book, the author stated his opinion that the National Currency Act of February 25, 1863, was one of the two most important pieces of legislation in the financial history of the United States, the other being the Federal Reserve Act of December 23, 1913. The first of these two laws gave us a National Banking System of distinction, a national currency with stability, and a financial framework within which we could mount a mighty offensive to preserve the Union. But in accomplishing this third purpose, the system had brought in its wake a weakness that became increasingly significant through the post-Civil War years: too rigid and too limited a supply of currency for a rapidly expanding economy. The Federal Reserve Act of 1913 remedied this situation, as well as paved the way for other needed reforms, then and in the future; it was indeed a landmark in our financial history.

Known also as the Glass-Owen Bill, the Act of 1913 represented the culmination of many expert opinions from all contemporary political groups. President Wilson drove hard for a bill drawn carefully enough to get through Congress, for there were conflicting ideas expressed on many of the details. Much of the groundwork had been laid during a Republican administration; and the culmination had to be achieved under Democratic direction. It is to the everlasting credit of the men of both parties, in 1913, and to some who listed themselves as Progressives, as well, that a significant measure was hammered out in debate and then passed.

President Wilson called for a system that would achieve four

major goals: provide an elastic currency based on contemporary commercial paper instead of national bonded indebtedness; establish machinery for the mobilization of bank reserves in such emergency periods as the country had experienced in 1873, 1893, and 1907; guarantee over-all public control of the banking system; provide a decentralized framework, adaptable to the regional problems of the various parts of the country.

All these desirable ends—which had emerged from the financial experiences of the United States, between 1863 and 1913—were achieved by the Federal Reserve System.

Instead of the circulation of currency being dependent on stable but inflexible holdings of government bonds, its issuance would now be based on a forty per cent gold reserve and a sixty per cent volume of commercial paper, as held by the individual federal reserve banks. This meant that when the volume of business in a federal reserve district rose, as reflected by bank loans, the discounting of those notes at the federal reserve bank of the district would lead to an immediate increase in the issuance of federal reserve currency for the use of the region. In other words, the volume of circulation would be tied to the volume of business, in a controlled, stable fashion. Changes in the proportions of gold and commercial paper were provided for, in relation to the exigencies of particular periods; the ratio in 1961, for example, was twenty-five per cent and seventy-five per cent. Thus the United States had at last achieved a currency that was both stable and flexible. In addition to the elastically-oriented federal reserve notes, the circulation continued, for a time, to include some national bank notes, based on government bonds. But these last were eventually eliminated.

The Federal Reserve System embraced twelve federal reserve banks—"bankers' banks"—set up in each of the twelve districts, into which the country was divided. This organization provided for a potential mobilization of resources in times of financial stress. Six of the nine directors of each federal reserve bank were to be elected by the member banks of that district; and the stock in the federal reserve district banks was to be owned also by the member banks of the district, who were required to subscribe six per cent of their capital. The regional banks were thus, in a sense, the agents of the member institutions. All national banks were required by law to join the setup; state banks were eligible to join

if they cared to do so. Ten years after its establishment, the Federal Reserve System could point to a framework that included nearly three-quarters of the banking resources of the United States.

The over-all direction of the System was entrusted to a Federal Reserve Board: The secretary of the treasury; the comptroller of the currency; and six other members appointed by the president.

If one analyzes these various features in relation to the goals set by President Wilson, one must conclude that the Glass-Owen Act did indeed achieve those goals. There were "bugs to be ironed out" and details to be changed after the Federal Reserve System had commenced to function, but there are few thoughtful Americans—bankers, economists, historians, businessmen, lawyers, citizens in general—who do not regard the past half century of their history with feelings of gratitude and admiration for "The Federal Reserve."

The Banking and Currency System of the United States of 1963 rests on two pillars. Salmon P. Chase, John Sherman, and Abraham Lincoln erected the first pillar with the passage of the Act of February 25, 1863 and the establishment of the National Banking System. Woodrow Wilson, Carter Glass, and their associates constructed the second pillar, a half century later, with the Federal Reserve Act of December 23, 1913.

While it is not difficult to appraise and to praise The Federal Reserve Act from the vantage point of nearly fifty years, its virtues were not nearly so apparent to many thoughtful New Haveners in 1913. In perusing the *Register* of a half century later, one is reminded of some of the reactions to Chase's Act of 1863.[1] In an editorial, dated December 15, 1913, the local newspaper declared: "Whence have financially untrained men like Owen and Glass drawn their bill for the accomplishment of what Senator Hitchcock [Democrat, Nebraska] declared to be the most important legislation proposed for this country in half a century? President Wilson may have suggested it. The voice may be his, but the hand is the hand of Bryan."[2]

On the other side of the debate, locally, Yale economist Irving Fisher and banker Harry Whipple, of the Merchants National, both expressed favorable opinions of the Glass-Owen measure.

1. See Chapter II, footnote 3.

2. *Register,* December 15, 1913.

Presidents Hemingway, of the Second National, and Thomas Hooker of "The First" told the *Register* reporter that they were not prepared "to comment upon the bill today."[3]

Despite this seeming reticence on President Hooker's part, it should be noted that, less than one week later, the directors of The First National voted "to give the President authority to take the necessary steps for the entry of this bank under the Currency Bill just passed by Congress."[4] When one recalls that the Federal Reserve Act had been passed on December 22, and approved by President Wilson on December 23—and that it permitted National Banks one full year in which to decide about entry into the new setup—the Board's decision to join on December 26 was rather prompt! The First National of New Haven had once again demonstrated its historic predilection for early decisions.

On January 13, 1914, the stockholders ratified the action of their directors, voting "acceptance of the terms of the Federal Reserve Act and a subscription to the capital stock of the Federal Reserve Bank in this district."[5]

In connection with this vote, an interesting discussion took place at the directors' meeting, three weeks later. The Board voted "that this bank would prefer New York as its first and only choice for the location of the Federal Reserve Bank in which this bank is to be a stock-holding member."[6] But the Federal Reserve Board decided differently, assigning all New Haven banks to District No. 1, with headquarters at Boston. The directors of "The First" tried once again to get into the New York orbit, voting on March 30, 1915, to authorize the cashier "to sign a petition to the Federal Reserve Board for transfer of this bank to the New York District [District No. 2]."[7]

While these efforts bore no fruit and while The First National of New Haven remained, with the rest of the New Haven banks, in the Boston orbit, it should be observed that the institution continued to feel a strong economic and historic tie with the New York financial center. That tie went back to the earliest days of the Bank's existence, when The First National Bank of New York

3. *Ibid.,* December 20, 1913.
4. Bank Records, December 26, 1913.
5. *Ibid.,* January 13, 1914.
6. *Ibid.,* February 3, 1914.
7. *Ibid.,* March 30, 1915.

City undertook to redeem at par the circulating notes of its New Haven sister. For numerous occasions, from then on, when funds were needed by the Elm City institution, they were obtained from that same New York bank. President Steele, in 1929, commented upon "the tenacity with which we have maintained our connection with The First National Bank of New York."[8]

Any one who is familiar with the geography and the history of New Haven can well understand its feeling of greater closeness to New York than to Boston, despite its sharing the New England heritage with the latter. The preference of The First National, to be part of the New York Federal Reserve District, was echoed by the other banking institutions of the Elm City.[9] But they have all learned to live happily in District No. 1, since the Federal Reserve Board served them notice to that effect, in April, 1914.[10]

The First National lost two valuable directors in 1914 and 1916 with the deaths of Henry C. White and Max Adler. Thomas G. Bennett, president of the Winchester Repeating Arms Company, was chosen to succeed Mr. White; Frederick Max Adler was elected to his father's place.[11]

The First World War had broken out in Europe during August, 1914. Repercussions from this mighty conflict began to appear in the Minutes of the meetings of the directors of The First National Bank of New Haven. For example, in October, 1915, the Board voted "to subscribe to participation in underwriting the Anglo-French 5%, external gold loan, in amount not over $50,000." Notice to this effect was subsequently sent to J. P. Morgan and Company, agents for the syndicate managers of the Anglo-French loan. Shortly after, the Bank subscribed $10,000 to a similar loan being floated by the Italian government.[12]

On April 2, 1917, President Wilson appeared before a special session of the Congress to deliver one of the most stirring speeches in the history of the United States. He said: "I advise that the Congress declare the recent course of the Imperial German Government to be in fact nothing less than war against the government and people of the United States; that it formally accept the

8. Thomas Steele, "History of The First National Bank of New Haven, 1863–1929," unpublished essay, p. 3.

9. Hasse, *A History of Banking in New Haven*, pp. 69–72.

10. Bank Records, April 14, 1914.

11. *Ibid.*, February 10, 1914, May 1, 1914, January 18, 1916, and March 17, 1916.

12. *Ibid.*, October 1, 5, and 26, 1915.

status of belligerent which has thus been thrust upon it; and that it take immediate steps not only to put the country in a more thorough state of defense but also to exert all its powers and employ all its resources to bring the Government of the German Empire to terms and end the war."[13]

On May 4, the directors of The First National authorized its officers "to subscribe $50,000 to the first Liberty Loan." On October 13, there is a record of a similar subscription to the Second Liberty Loan. On April 9, 1918, the Bank ordered $200,000 worth of Third Liberty Loan bonds. The following month, the directors voted to depart from long-established custom and to make "contributions" to certain agencies connected with the war effort; in accordance with this vote, an appropriation of $1,000, from earnings, was immediately made to the Red Cross. As the Great War drew to a close, the Bank subscribed $300,000 to the Fourth Liberty Loan and made a gift to the United War Fund of $1,000.[14]

While the Bank Records thus reveal a genuine and continued involvement in the national war effort, they also indicate a simultaneous concern for "business as usual" and for "steady growth." An important step in the latter area had been inaugurated as early as December, 1915, when President Hooker was authorized by the Board "to appoint a consolidation committee to meet with a committee from the Yale National Bank, to consider a merger."[15]

The Yale National Bank had been organized in January, 1865, under Chase's Act, out of the old Quinnipiack Bank, the state-chartered institution from which both Harmanus Welch and William Moulthrop had "graduated." There was thus an historic connection between it and The First National, through the persons of the original president and cashier of "The First."

Plans for the merger went forward rapidly at first, with the directors of both institutions approving the favorable reports of their committees in February, 1916. But there were many legal and other details to be worked out; it was not until January 1, 1918, that the *Register* could report: "Millions in cash and securities were transferred with safety last night from the Yale National

13. Woodrow Wilson, "War Message to Congress, April 2, 1917," *American Public Addresses, 1740–1952* (A. Craig Baird, editor, McGraw-Hill Book Company, Inc., New York, 1956), p. 227.

14. Bank Records, May 4 and October 13, 1917; and April 9, May 21, October 1, and November 8, 1918.

15. *Ibid.*, December 10, 1915.

Bank to The First National, with which the Yale has been merged. It was carried in the laps of bank clerks in autos, and, when inventory was taken this morning not a penny had to be accounted for. Today the Yale National Bank, after its 45 years or more of existence, passes out of existence, and tomorrow morning, the new $1,000,000 First National Bank, with the Yale welded into it begins its career. Each of the banks put into the combination about $946,000, of which $1,000,000 has been credited to capital, and $892,000 to surplus. John T. Manson, the new president of the First National, said that New Haven now has a stronger financial institution, with which to meet the needs of the business community."[16]

The reference to John T. Manson, as "the new president of the First National" was a little premature on January 1, for his official designation was not made until the meeting of the "Consolidated Board," on January 11, ten days later; and it was President Hooker, who had presided at the meeting of January 4 and had officially welcomed the new directors brought into the organization as a result of the merger. These new directors were: Howard E. Adt, David R. Alling, Vernal W. Bates, Frederick T. Bradley, Thomas W. Bryant, George F. Burgess, Minotte E. Chatfield, Edwin S. Greeley, and John T. Manson.[17]

The "Consolidated Board," made up of twenty-five members, chose the following officers on January 11, 1918: president, John T. Manson; vice-presidents, Pierce N. Welch, Jr., George F. Burgess, and Edwin P. Root; cashier, Frederick L. Trowbridge; assistant cashiers, Robert S. Bradley, George S. Stirling, and George E. Tester. The appointment of clerks and assistants was entrusted to the president and the cashier. A new salary scale was set up: the president was to receive $10,000; vice-presidents, $1,000 each; cashier, $4,500; assistant cashiers, from $2,750 to $3,500. It was also voted to award annual salaries of $2,500 each to retiring President Hooker, now designated as "Chairman of the Board," and to retiring Cashier F. B. Bunnell. The latter had been with "The First" for over forty years, twenty-seven of them as cashier.[18]

There is no indication in the Records that the new president

16. New Haven *Register*, January 1, 1918; Bank Records, February 16, 1916, to January 11, 1918.

17. Bank Records, January 4, 8, 11, 1918.

18. *Ibid.*, January 11, 1918.

was personally responsible for the change, but immediately after consolidation (January, 1918) the Minutes of the meetings of directors and stockholders appear in typescript for the first time. A new era had indeed dawned.

It had dawned in other respects, in addition to the substitution of typing for longhand. The First National now had a Savings Department, acquired through the merger. And it soon established a Trust Department, as well. Congress had amended The Federal Reserve Act, in September, 1918, to permit national banks to enter this important, growing field. "The First" was the first of the national banks in New Haven to take advantage of the amended statute, setting up its trust department that very fall. Assistant Cashier George E. Tester was appointed Trust Officer on August 15, 1919, in conformity with a Federal Reserve order from Boston "that such trust department be placed under the separate management of an officer or officers." Testimony to the success of this new department came in 1928, when the bank changed its name officially to "The First National Bank and Trust Company of New Haven."[19]

A sign of the times appears in the Minutes of the directors' meeting for December 23, 1919: "Voted to purchase a victrola, with a suitable number of records, for the ladies' rest room."[20]

In a more serious vein, the directors appointed a special Examining Committee, during 1922, to review the general condition and operation of the institution. This Committee—President Hadley, Thomas Hooker, Jr., and George Burgess—recommended continued reports to the Board, each month, from both Trust and Savings Departments. But it declared, with firmness: "Our bank is, in the first instance, a bank of commercial deposit. We recommend detailed monthly reports of our commercial accounts, both active and inactive, so that the directors may be more fully informed than at present, as to the rise and fall in this, the chief department of the bank."[21]

After sixty years, and despite the acquisition of important savings and trust divisions, the leaders of "The First" regarded their Bank still as being chiefly a commercial institution.

19. Hasse, *A History of Banking in New Haven*, p. 82. Bank Records, November 5, 1918, to November 4, 1919.

20. Bank Records, December 23, 1919.

21. *Ibid.*, September 28, 1922.

IX

The Seventh Decade, 1923–1932: Boom and Depression

THE fabulous twenties have become a chapter in American History that abounds in the scintillating phenomena of a "Jazz Age" and in the extravagant splurges of a "Coolidge Prosperity." Viewed in this frame of reference, the country would seem to have romped wildly through a decade of Teapot Dome swindlers, plush New York speak-easies, dazzling Ziegfeld Follies Girls, bathing beauty contests, bootleggers, sensational murder trials, Dayton evolution trials, Chicago gangsters, Great Gatsbys, spending sprees, Lindbergh flights, European jaunts, and "coonskin campuses." Then, at the end of the period, in the fall of 1929, comes the day of reckoning: the stock market crashes; the fantasy-filled boom fades into oblivion; the age of disillusionment and depression dawns with realistic dread.

There is, to be sure, considerable truth in this picture. The author—who lived through those years in a school where adolescent boys were asked to sign a pledge to enforce the flaunted Volstead Act, and on a college campus covered with coonskin coats—will endorse the portrayal. But beneath these surface manifestations there must have been a reassuring amount of stability, common sense, and steady habits—if one knew where to look for them. A perusal of the Minutes of the Board meetings of The First National Bank of New Haven, during these very years, will document such a conclusion. The same type of thoughtful, imaginative planning and conservative operation that had enabled the Charter No. 2 organization to sail calmly through the seas of financial panic in 1873, 1893, and 1907, guided its passage through

"The Years of Boom" and "The Years of Bust." To paraphrase the words of a haunting melody, associated with the latter period, "It just kept rollin' along!"

It is the conviction of the present writer that much of the credit for the praiseworthy performance of "The First," during difficult days, should be given to President Thomas Steele, who headed the institution from January 1, 1924, to January 1, 1944. He emerges from the records of those years as a first-class banker: his legal background and experience proved invaluable in the interpretation of rapidly changing fiscal regulations; his vision was tempered with realism; his personal modesty was blended with quiet confidence; his energy and devotion were limitless; his sense of public service and community responsibility marked him with the rare credentials of greatness. Here indeed was a man "to match the mountains"—one who would be unswerved by the phony promises of boom, the discouragements of depression, the exaggerated claims of recovery, the mixed blessings of reform, the pressures of total war. His job was to lead "The First," mindful of its past traditions, focused upon its current problems, thoughtful about its future directions. And all this he did, with distinction.

It was a sound, smoothly running organization that John T. Manson left to Steele, in the turbulent twenties. When the former president of the Yale National had taken over the helm of "The First," in January, 1918, the deposits of the recently merged, combined institutions totaled $6,762,361. When he resigned six years later, deposits had increased to $13,698,876. Total resources during Manson's administration had risen from $10,849,834 to $17,146,961.[1]

On November 30 a special meeting of the directors elected Thomas M. Steele president, at an annual salary of $18,000, and Dwight L. Chamberlain, first vice-president, at a salary of $10,000, effective January 1, 1924. "Directors English and Hadley were appointed a committee to wait on Mr. Steele and conduct him into the meeting. After a very cordial greeting, the new president spoke briefly and was promised the support of the Board of Directors."[2]

At the next stockholders' meeting, on January 8, 1924, it was voted that the Board should have 24 directors. Those elected were: Henry F. English, Thomas Hooker, Sr., Arthur T. Hadley, M. H.

1. Bank Records, November 2, 1923.

2. *Ibid.*, November 30, 1923.

Marlin, Wilson H. Lee, George F. Burgess, M. E. Chatfield, W. A. Warner, Frederick G. Hotchkiss, P. N. Welch, Jr., E. P. Root, Fred R. Bunnell, Thomas W. Bryant, F. T. Bradley, T. G. Bennett, F. M. Adler, V. W. Bates, Thomas Steele, Thomas Hooker, Jr., John E. Otterson, George W. Berger, C. M. Walker, Dwight Chamberlain, F. L. Trowbridge.[3]

Two days later, the directors named the following officers: Thomas Hooker, Sr., chairman of the board; T. M. Steele, president; D. L. Chamberlain, first vice-president; Messrs. Welch, Burgess, and Root, vice-presidents; R. S. Bradley, vice-president in charge of Savings Department; E. B. Spalding, vice-president and trust officer; F. L. Trowbridge, vice-president and cashier; G. E. Tester, first assistant cashier; Messrs. Crawford, Redfield, McArthur, Patry, Myers, and Wilcox, assistant cashiers.[4]

This was the organization with which President Steele commenced his twenty years of service with "The First." It was an experienced, able group, worthy associates for a talented leader. And as some of the older directors were taken away, by death or resignation, their places were filled by men who had already achieved community recognition in business or the professions. During 1924, Fred Bunnell and the much respected Thomas Hooker, Sr., passed away; T. G. Bennett and John Otterson resigned. Their places were filled by Harrison Sheldon, Gilbert Tullock, Dr. Everton Hosley, and Murray Sargent.[5]

During the mid-twenties, the Bank had 348 stockholders, twenty-two of which were banks holding 1,212 shares. The remainder "included 175 residents of New Haven, 10 of Massachusetts, 16 of New York, and 18 in other States." Presumably, the more than one hundred stockholders unaccounted for were Connecticut people, outside of New Haven. Among the ninety-three employees, twenty-nine were listed as stockholders.[6]

In November, 1925, President Steele told his directors that there had been "a robbery of $1,718. from cage 4, while both tellers were absent." A month later, he reported that "changes have been made in the tellers' cages, and that a watchman will be employed on Sundays and holidays."[7]

3. *Ibid.*, January 8, 1924.
4. *Ibid.*, January 10, 1924.
5. *Ibid.*, August 14, October 9, and November 13, 1924, and January 13, 1925.
6. *Ibid.*, February 13, 1925.
7. *Ibid.*, November 4 and December 10, 1925.

The Trust Department appears to have grown rapidly in this period. William G. Cleaver was appointed assistant trust officer, early in 1926; and on May 10, 1928, the directors voted to change the Corporate name of the institution to "The First National Bank and Trust Company." The actual impetus for the latter vote came from a suggestion made to the Board by a National Bank Examiner named Carolan. The stockholders ratified the decision to change the name. Later in the year, the personnel of the Trust Department was strengthened by the addition of two new officers, J. G. McGillen and Grace E. Bourne.[8]

Feeling that there was some duplication in the ten separate committees through which the Board of Directors did most of its work, the president recommended a streamlining reorganization which would reduce the number of these committees to six. In another move to increase efficiency, a young assistant credit manager named J. Coy Reid was authorized to sign cashier's checks.[9]

As the "Years of Boom" reached their climax, there was, of course, some response to them in the operations of the Bank. For example, the amount of loans rose from $1,512,899, in April, 1929, to $2,767,562, in September, 1929. But a steady over-all direction kept the ship on an even keel. During that same September, 1929, the Board voted a modest semiannual dividend of three per cent, and Mr. Adler reported that "affairs in the profitable Trust Department were being handled in a most satisfactory way." Although the mutual savings banks had just increased their interest to five per cent, the directors of "The First" voted unanimously not to raise to this rate in their Savings Department.[10]

During October and November of 1929, prior to the stock market crash and during its early weeks, there appear to have been some discussions between the boards of "The First" and of The Second National Bank, about the possibility of consolidation. But by November 23, the *Register* reported that "Bank Combine Plan Ends in Disagreement." While both President Samuel Hemingway, of the Second, and President Thomas Steele, of The First National, refused to enlighten the *Register* reporter on the

8. *Ibid.*, January 14, 1926 to October 11, 1928, *passim*.

9. *Ibid.*, January 10, 1929, and February 28, 1929. Credit Manager Reid evidently signed those cashier's checks satisfactorily; thirty years later he was president of the Bank!

10. Bank Records, April 25, September 12, and September 26, 1929.

The fourth home of the Bank, at 42 Church Street, at the southwest corner of Church and Crown Streets, 1895–1961

reasons for the failure to achieve merger, the differences over valuations of the two bank buildings appear to have been a major stumbling block.[11]

Between October 18 and October 25, 1929, the stock market crashed, rocking the country from coast to coast, and bringing to a sudden end the foibles and follies of the fabulous twenties.

On November 14, President Steele reported to the Board that "good gains are being made in the Trust Department." He noted that Loans had risen to $3,481,608. With obvious calm, he added, "Market prices in all collateral are being checked daily, and the collateral loans appear to be in satisfactory shape." He compared the Bank's current situation to a number of other sound institutions, in which shortages of funds had been caused by the large increase in loans and the fall-off in deposits. He quoted pertinent material from *The National City Bank Bulletin* and The Financial *Chronicle*.[12] The storm was raging in every financial segment of the country, but firm hands held the controls in many a fortunate, well-managed institution. One such stood at 42 Church Street, in the Elm City.

It is interesting to observe that this was the time—this December of 1929—that Tom Steele selected to read his eleven-page essay on "The History of The First National Bank of New Haven, 1863–1929," to the Bank Family, assembled for its annual Christmas Party. There was a mood of quiet pride and reassuring calm which pervaded his concluding paragraph. "The same problems which faced our predecessors face us. The same problems which faced us will eventually face our successors. Our predecessors solved them. We will solve them. Our successors will solve them. And The First National Bank will go on in the future, let us hope, as it has in the past, in a manner worthy of those by whom it was founded and established."[13]

In 1929–1930 the Board lost two of its valuable directors by death: George F. Burgess and Arthur T. Hadley, former President of Yale. They were replaced by Allerton Brooks, of the Southern

11. *Ibid.*, October 10 and November 29, 1929. New Haven *Register*, November 23, 1929.

12. Bank Records, November 14, 1929.

13. Thomas Steele, unpublished essay on "History of The First National Bank, 1863–1929." See Chapter VI, footnote 21. A copy of the typescript of this essay is bound into the Bank Records, probably by order of the Board, for this date, December 19, 1929.

New England Telephone Company, and Harold K. English, a member of the third generation of his family to serve "The First."[14]

The Minutes of December 26, 1930, contain a detailed account of the visit of U.S. Bank Examiner Ryan, who evidently found things at 42 Church Street very much to his satisfaction. The Minutes record that he was "not too prone to talk" but "He was well pleased when we pointed out to him how Mr. Steele had preached to us virtually the same doctrines he had expressed."[15]

The death of Frederick Trowbridge and the resignation of W. A. Tobler led to the election of Douglas Orr, architect, and of Frederick H. Wiggin, attorney, to the Directorate.[16] President Steele found time to serve as president of the New Haven Community Chest in the fall of 1931, and discussed the relationship of the economic situation to that fund-raising project at the Bank Board meeting, on October 8.[17]

For the next twelve months—to the end of 1932—"The First" found itself involved in the affairs of many sister institutions in the area. It made a loan of $40,000 to The Milford Trust Company. It took over the East Haven Bank and Trust Company, on February 29, 1932, "without causing the least disturbance." It responded to a call for assistance from the Broadway Bank and Trust Company.[18] It eventually became receiver for the latter.

Then on June 9, 1932, in all the atmosphere of a Conan Doyle mystery story, the directors "met at the home of Mr. George W. Berger, to consider the financial difficulties of The Mechanics Bank, the second largest bank in the city." President Steele reported to his associates that "The Mechanics" had suffered heavy withdrawals and was in a precarious position. He had evidently been discussing the situation with President Frisbie of the tottering bank, and with President W. Perry Curtiss, of the solid Union and New Haven Trust Company. Curtiss had urged that The First National should take over "The Mechanics," but Steele felt such action might put too great a strain on the capital structure of his bank. Frisbie's opinion was that his bank would pull through all right.[19]

14. Bank Records, August 22, 1929, January 14, March 13, and July 10, 1930.

15. *Ibid.*, December 26, 1930.

16. *Ibid.*, January 22, June 11, September 10, September 24, 1931.

17. *Ibid.*, October 8, 1931.

18. *Ibid.*, December 10, 1931, February 25 and March 10, 1932.

19. *Ibid.*, June 9, 1932.

Despite desperate efforts on the part of "The First" in collaboration with representatives of other banks in New Haven, the Mechanics Bank went into the hands of a receiver on June 21. It had closed "temporarily," on June 9.

Hasse states in his *A History of Banking in New Haven:* "The failure of the Mechanics Bank on June 9, 1932, was the biggest blow to the city's financial history, since the Eagle Bank's failure of 1825. . . . On June 8th, a run on this bank caused $750,000 in cash to be withdrawn. During the previous two months 5 million dollars had been withdrawn . . . It is interesting to note that the capital structure of this bank was $1. to $11.50 of deposits, and that loans amounted to ten times its capital structure. Its dividends for many years were the largest in the city, paying $19.20 a share yearly on a par value of $60. . . . The appraised value of the bank after its failure was $12,138,384, with deposits and other liabilities of $15,770,012. In an attempt to stop runs on the Mechanics Bank, the Mayor, clergymen and many popular citizens pleaded in vain. James E. Wheeler was appointed receiver on June 21st."[20]

One does not have to be either an economist or a banker to sense the basic difference in policy between the unfortunate Mechanics Bank and institutions like "The First" during these difficult years. Two days after the Mechanics had gone into the hands of a receiver, that bank which had been lavishly paying dividends of almost thirty per cent per year, The First National voted a semiannual dividend of two per cent![21]

It appears to this writer that "The Mechanics" was beyond saving, and that President Steele had tempered his humanitarian impulses with proper restraint and praiseworthy common sense. But, in those instances where "The First" had a reasonable chance to succeed, it did play a most helpful role. We have already noted this in relation to several smaller banks in the area.[22] A still more significant step, from the viewpoint of the community in general, was the absorption of the Merchants National Bank, with resources of $10,000,000 and deposits of $6,000,000, on June 27, 1932.

Three days earlier, on June 24, the directors of "The First" had gathered for a special meeting at the home of Mr. Berger. President Steele "reported on an interview with Mr. Frederick D.

20. Hasse, *A History of Banking in New Haven*, p. 95.
21. Bank Records, June 23, 1937.
22. See footnote 18, of this chapter.

Grave, concerning the situation at the Merchants National Bank." Upon recommendation of its Executive Committee, the Board voted unanimously "to purchase the assets of the Merchants National Bank and pay for same by assumption of the liabilities thereof, other than capital stock, surplus, and undivided profits —provided there be a guarantee against loss in an amount not less than one million dollars and underwritten subscriptions to the proposed additional capital stock of The First National Bank sufficient to $750,000 in new capital money."[23]

On July 11, a special meeting of the stockholders ratified and confirmed the action of the Board in "purchasing the property and assets of the Merchants National Bank," and voted to increase the number of directors to thirty. As a result of the latter action, the following were elected to the Board: Lewis H. English, Frederick D. Grave, Albert W. Kraft, and John J. McKeon.[24] With combined assets of over $30,000,000, "The First" now occupied a dominating position among the commercial banks of the community.[25]

By the fall of 1932, the affairs of The Merchants National had been well integrated into the operations of the combined setup; and Mr. Steele could report on the economies effected between the separate costs of the two banks, in May, and the new situation under merger, in October. The monthly savings in overhead amounted to nearly $25,000. The versatile president was concerning himself with this matter, on the one hand, and with the larger national picture, on the other. He attended a meeting of the Federal Advisory Council, in Washington, which included a conference with members of the Federal Reserve Board; and brought back to his associates full reports on such subjects as the home loan discount banks and The Reconstruction Finance Corporation.[26]

On December 22, 1932, while a depression-weary people wondered what their newly elected president might do about it all when he took office in March, the directors of the Bank voted "to transfer $260,000 from permanent surplus to special reserve, in order to fortify the Bank against the possibility of further losses

23. Bank Records, June 24, 1932.

24. *Ibid.*, July 11, 1932.

25. New Haven *Register*, June 27, 1932. Hasse, *A History of Banking in New Haven*, p. 97.

26. Bank Records, September 22 to November 25, 1932.

not now apparent or anticipated, but with the realization that, unless business conditions improve within the relatively near future, it is probable that additional business failures will occur among the customers of the bank, which will make further losses inevitable."[27]

Thus ended the year 1932.

27. *Ibid.*, December 22, 1932.

X

The Eighth Decade, 1933–1942: Recovery and Reform

No event in modern American history focused more general attention upon banking than the financial crisis of 1933, immediately preceding the inauguration of Franklin Delano Roosevelt on March 4 of the same year. Volumes have been written about that crisis and the means adopted to remedy the situation. But nowhere has the story been related more concisely or more convincingly than in the brief account by J. F. T. O'Connor, comptroller of the currency from 1933 to 1938.[1]

Prior to 1933, according to this study, banks had become too numerous, competition among them too great, and the necessity for profits too urgent. Despite the National Banking Act and the Federal Reserve Act, there was still insufficient uniform public regulation in the over-all field of commercial banking. There were four types of institutions in the latter field, each subject to a different amount and to a different method of regulation: national Banks; state Banks which belonged to the Federal Reserve; state banks which did not; and private banks, which in some States functioned with hardly any controls at all.[2]

During the early months of 1933, financial chaos gripped the country. The scene that New Haven had experienced when the Mechanics Bank closed, in June of the previous year,[3] multiplied in recurring fashion up and down the United States. O'Connor

1. J. F. T. O'Connor, *The Banking Crisis and Recovery Under The Roosevelt Administration* (Chicago, Callaghan and Company, 1938).

2. *Ibid.*, p. 7.

3. See Chapter IX, footnotes 19 and 20.

described the situation in these terms: "Banks were closing; checks were unpaid. Travelers were left stranded without ready funds, and credit was at a standstill. Men and women with life savings and business earnings deposited in banks stormed doors to retrieve their fortunes before it was too late. Refuge was sought in hoarding and in exporting capital to foreign shores. . . . The tenseness of the situation by the close of January, 1933, had reached the point that serious consideration was being given in more than one state to State-wide moratoria, or banking holidays."[4]

While historians have offered a vast collection of detailed explanations for the crisis, O'Connor's concise conclusion strikes this writer as convincing: that the American banking structure, dealt a severe blow by the 1929 stock market crash, had been unable to recover under the depressed conditions which followed and, harassed by certain weaknesses of its own over-all setup, finally succumbed in 1933.[5]

Nevada had declared a bank holiday in November, 1932, in order to place some restrictions upon withdrawals; other states followed. Governor Comstock of Michigan, at the request of the State Bankers Association and the Detroit Clearing House, proclaimed a state banking holiday to last from February 14 to February 24; during the ten-day period, all financial institutions within the state were forbidden to transact any business whatever. This holiday was extended, and lasted until President Roosevelt proclaimed a general national bank holiday on March 6. The Michigan pattern was pretty much followed in many other states.[6] When the new administration took office on March 4, 1933, virtually every bank in the country had closed or was preparing to close.

Such was the setting when millions of Americans, in homes and in offices, turned on their radios during the late gloomy morning of March 4—to hear a strong, well-controlled, confident voice declare:

"President Hoover, Mr. Chief Justice, My Friends: This is a day of national consecration, and I am certain that my fellow-Americans expect that, on my induction into the Presidency, I will address them with a candor and a decision which the present situation of our nation impels.

4. O'Connor, *Banking Crisis and Recovery Under Roosevelt,* pp. 7–11.

5. *Ibid.,* p. 11.

6. *Ibid.,* pp. 11–13.

"This is pre-eminently the time to speak the truth, the whole truth, frankly and boldly. Nor need we shrink from honestly facing conditions in our country today. This great nation will endure, as it has endured, will revive, and will prosper.

"So first of all let me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, and unjustified terror which paralyzes needed efforts to convert retreat into advance.

"In every dark hour of our national life, a leadership of frankness and vigor has met with that understanding and support of the people themselves which is essential to victory. I am convinced that you will again give that support to leadership in these critical days."[7]

Whatever the judgment of history on the Roosevelt administration—and it may be still too soon to expect a definitive verdict —one achievement will always stand to its credit: that, during its "first hundred days," it restored the faith of the American people in themselves and in their future. And the first step toward such restoration was, quite properly, concentrated upon the financial structure of the nation.

The new president's first official act was the proclamation of March 6, declaring a general national Bank holiday. Three days later, the Congress, convened in a special session, passed the Emergency Bank Act, which included the Bank Conservation Act. The plan, as explained by Comptroller O'Connor, was for the president to suspend all banking functions in order that the country's currency could be properly regulated and the gold supply conserved. "It was necessary that the banks be regulated and controlled for the purpose of protecting them, and the public, from the effects of unwarranted withdrawals by panic-stricken depositors."[8]

The Emergency Bank Act specifically confirmed the power of the president to close the banks, authorized the secretary of the treasury to regulate the business of the banks during such emergency period as the president might declare, and authorized the comptroller of the currency to appoint conservators whenever he

7. Franklin Delano Roosevelt, "The First Inaugural Address, March 4, 1933," *American Public Addresses, 1740–1952* (A. Craig Baird, editor, McGraw-Hill Book Company, Inc., New York, 1956), p. 261.

8. O'Connor, *Banking Crisis and Recovery Under Roosevelt,* p. 15.

should deem it necessary to conserve the assets of a national bank. The Act also authorized the issuance of special federal reserve bank notes, "redeemable in lawful money of the United States," and enlarged the discount powers of the federal reserve banks.[9] A survey of all the national banks in the country was undertaken between March 9, when the Emergency Act was passed, and March 15. This resulted in the decision that, of 5,938 national banks throughout the United States, some 1,400 could not be permitted to reopen "until further corrective action had been taken."[10] The magnitude of work involved in this survey, completed in less than a week, staggers the imagination of the present writer. Similar attention was later given by the Treasury Department to state banks, both inside and outside the Federal Reserve System, and to private banks. Appropriate regulations, wherever feasible, were set up for these units, also; full cooperation was given by the state banking authorities throughout the country.

While many needed fiscal reforms were destined to come into force during the next several years—such as the Federal Deposit Insurance Corporation and the Securities Exchange Commission—the fall of 1933 saw the general confidence of the American people in their banking structure restored.

With this background of recovery on a national scale in mind, then, let us return to The First National Bank of New Haven and view the impact of the times upon a single grass-roots institution.

It should, of course, be noted that the drive for recovery included many significant efforts besides those in the financial field. The administration sought to bolster the economy by reforms to industry, through the National Industrial Recovery Act, and by reforms to agriculture, through the Agricultural Adjustment Act. This is not the place to discuss these controversial measures, both of which were eventually declared unconstitutional by the United States Supreme Court. But they appear worthy of mention, in passing, as we return from the national scene to 42 Church Street, in the Elm City.

The stockholders' meeting of January, 1933, approved a slate of officers for "The First" which included: Steele, president; Chamberlain, first vice-president; Grave, Welch, Root, and Spalding,

9. *Ibid.*, pp. 15–16.
10. *Ibid.*, p. 19.

vice-presidents; Crawford, cashier; five assistant cashiers; McArthur, comptroller; Cleaver, trust officer; two assistant trust officers; Reid, credit manager; one assistant credit manager; Wilshire, advertising manager.[11]

On the 23rd of February, with the Michigan bank holiday still on the front pages of the nation's newspapers, Mr. Steele had reported to his associates on the joint meeting of the Federal Advisory Council and the Federal Reserve Board, from which he had just returned. The meeting had discussed the "inadvisability of publishing Reconstruction Finance Corporation Loans" and "the possibility of bringing all the banks in the country under Federal control."[12]

While President Roosevelt was delivering his inaugural address, on Saturday, March 4, the Board of "The First" was meeting in special session. Mr. Steele reported on the action of the New Haven Clearing House, closing the city's banks for the next week and ordering "scrip" to be used on a limited basis when the banks should reopen. The directors approved of this plan and also voted to put the "90-day clause" into effect on savings deposits, limiting withdrawals to twenty-five dollars, except "in certain legitimate cases." They further voted discretionary powers to the directors in the case of commercial depositors, as to how much each such depositor should be allowed to withdraw "for actual and reasonable needs."

The full confidence of the Board in its cool, efficient leader emerges from the decision "to give the President authority, until further action by the Board, to exercise any and all powers which might be legally conferred upon him by specific vote, with respect to closing the Bank, in whole or in part, or limiting its activities pursuant to such directions or advice as may be given by the Comptroller, the Federal Reserve Bank of Boston, or the New Haven Clearing House Association."[13]

From the Minutes of this all-day special meeting on Saturday, March 4, emerges evidence of considerable confusion, inconsistency, and nervousness among all the banks of Connecticut. It appeared that the lieutenant governor had declared a bank holiday for Saturday and Monday, and that Commissioner George

11. Bank Records, January 12, 1933.

12. *Ibid.*, February 23, 1933.

13. *Ibid.*, March 4, 1933. See also New Haven *Register*, March 6, 1933.

Bassett had expressed the opinion that this order should be obeyed; but that a number of the banks in the state had opened and were operating that Saturday, under limited conditions and with preparations being made for probable closing on Monday.[14]

President Roosevelt acted just in time with his Proclamation of Monday, March 6, which put an end to all such local inconsistency and confusion with the declaration of a nationwide bank holiday.

The survey of the national banks, already described as having taken place between March 9 and March 15,[15] found "The First" able to pass the test with flying colors. On March 14, R. A. Young, governor of the Federal Reserve Bank of Boston, sent Tom Steele the following telegram: "Your institution is licensed to reopen Tuesday morning, March 14 [the telegram was dated Tuesday, 3:05 A.M.!], without any restrictions except those in the President's Proclamation against payment of gold or gold certificates or bullion or payment of currency for hoarding purposes and foreign exchange transactions, which apply to all banking institutions until further notice."[16]

The directors met on March 23 for a regular session; approved loans totaling $3,227,719.35; voted a two per cent semiannual dividend for the capital stock. On April 13, the Board voted that "fees to directors for attendance, or service on committees, be cut one-half, except as to permanent members of the Loan Committee." On May 11, resolutions were passed on the death of director Harrison Sheldon; and on June 8, William Gumbart was elected to replace him.[17]

It would appear from the Minutes that "The First" had weathered another storm, with its characteristic self-assurance, and was once again sailing smoothly along. Mr. Steele interpreted some of the provisions of the Glass-Steagall Banking Act to the Board, on June 22, including the welcome elimination of the old "double liability" of shareholders; he felt that this last change would be highly beneficial to the reorganization of the American banking system as a whole. He noted that, under the new legislation, directors of national banks might now serve also on the boards of

14. Bank Records, March 4, 1933.

15. See footnote 10 of this chapter.

16. Bank Records, March 14, 1933. The telegram is pasted into the Minutes Book, between the dates of March 4 and March 23, 1933.

17. Bank Records, March 23, April 13, May 11, and June 8, 1933.

mutual savings banks.[18] A month later, "The First" voted to sign "the so-called Prosperity Code proposed by the National Recovery Administration," and, early in 1934, it joined the "Temporary Insurance Fund" of the Federal Deposit Insurance Corporation.[19]

The federal reserve authorities expressed the opinion that Mr. John McKeon should not serve on the Board, because he was a member of the New York Stock Exchange. The directors accepted this interpretation of the revised regulations, with regret; the directors recorded their dissent, but Mr. McKeon withdrew.[20]

On February 27, 1936, the directors passed resolutions on the recent death of Thomas Hooker, Jr., who "had served the bank brilliantly since 1918, especially as a member of the loan committee since 1933." He had been the principal architect of the plan for the reorganization of the capital structure of the institution, during 1933, in accordance with the requirements of the Emergency and Permanent banking laws passed that year.[21]

The First National Bank of New Haven continued its pioneering penchant for "doing things first," when it sponsored the first "branch bank," in the area. As early as July, 1936, it had applied to the comptroller of the currency for permission to open such a subdivision in West Haven. By November, the "West Haven branch" was operating at 574 Campbell Avenue.[22]

On June 10, 1937, President Steele reported to the Board: "One of our officers, Mr. J. Coy Reid, credit manager, has received recognition for his fine work at the Graduate School of Banking at Rutgers University." On January 11, 1936, the directors expressed pleasure in the news that Tom Steele had been elected for the seventh time "to represent the First Federal Reserve District on the Federal Advisory Council."[23]

One of the worst hurricanes in Connecticut history caused considerable damage to New Haven County, September 21, 1938. The directors voted $250 to the local Red Cross chapter for victims of this disaster a few weeks later, and noted their gratitude

18. *Ibid.*, June 22, 1933. The Glass-Steagall Measure was adopted June 16.

19. *Ibid.*, July 27, 1933, and January 9, 1934.

20. *Ibid.*, April 12, 1934.

21. *Ibid.*, February 27, 1936. Also *Ibid.*, April 26 to July 26, 1934. See also footnotes 15, 16, 17, and 18, of this chapter.

22. *Ibid.*, July 9 and August 27, 1936. Hasse, *A History of Banking in New Haven*, p. 105.

23. Bank Records, June 10, 1937, and January 11, 1938.

at the fact that the damage to real estate held by the bank had been slight.[24]

The deaths of several directors and the elections of successors resulted in a number of changes on the Board. As of January 9, 1940, the Directorate included: H. F. English, H. K. English, Marlin, Lee, Warner, Bradley, Adler, Bates, Steele, Berger, Chamberlain, Shaffer, Brooks, Orr, Wiggin, Grave, Graves, Gumbart, Baker, Fairchild, Malley, Henry Jones, Jr., and Peter Berry. Shortly after, Frederick T. Bradley passed away, and was replaced by Laurence G. Tighe, treasurer of Yale University.[25]

Preoccupied with the business of rebuilding the economic life of the community, and especially with the strengthening of their own institution, during this decade the policy makers at "The First" were nonetheless conscious of threatening signs on the international scene. Refugees coming into the Elm City from Hitler's Germany had focused the attention of New Haven's citizens upon the cruel character of the Nazi régime. As the brown-shirted legions tramped into the Ruhr, into Vienna, into Prague, the local newspapers had grown increasingly pessimistic about the chances of preserving peace.[26]

War came to Europe in the summer of 1939. The following year, sporadic repercussions to the struggle began to appear in the Minutes of "The First." On June 13, 1940, the directors voted $200 to the American Red Cross War Relief Fund; and on January 9, 1941, they apparently spent most of their meeting in a discussion of "War Risk and Bombardment Insurance." Mr. Steele noted that "two of the bank's people are taking intensive courses in First Aid, at the Red Cross." Then, in April, 1941, the board "voted to buy $50,000 Series E, United States Defense Savings Bonds."[27]

The Minutes indicate that the directors assembled on December 4, 5, 6, 8, 9, 10, 1941, but that "no business was offered." On December 7, the Japanese had attacked Pearl Harbor, and the United States was at war.[28] On December 26, the records note: "Loans total $1,816,478. A contribution of $1,000 was voted to

24. *Ibid.*, October 13, 1938.
25. *Ibid.*, January 9, February 8, and March 28, 1940.
26. Osterweis, *Three Centuries of New Haven*, p. 423.
27. Bank Records, June 13, 1940, January 9, March 13, and April 24, 1941.
28. *Ibid.*, December 4, 5, 6, 8, 9, 10, 1941.

the American Red Cross. The latter part of the meeting was devoted to listening to the broadcast of an address by British Prime Minister Winston Churchill, being given before the Congress of the United States."[29]

As the year 1942 progressed, President Steele worked to orient his bank toward the exigencies of a war economy. By the end of the year, with calm and with confidence, he had succeeded in his task.[30]

29. *Ibid.,* December 26, 1941.

30. *Ibid.,* January 8, February 13, April 9, August 13, September 10, September 24, November 12, 1942.

XI

The Ninth Decade, 1943–1952: War and Peace

Early in 1943, the global war was beginning to turn in favor of The Grand Alliance. The first great allied counterthrust—the North African campaign—saw Anglo-American forces closing in on the redoubtable Nazi General Rommel; the Russians turned back the invading Germans at Stalingrad; in the Pacific, American naval and air forces had stemmed the Japanese advance, in the battles of Midway and Guadalcanal, and were now gathering strength with which to mount a series of island-hopping offensives. A year or so after Pearl Harbor, smoothly functioning under the war economy, a determined America set about the business of demolishing its enemies.

While Churchill and Roosevelt planned grand strategy at Casablanca, Quebec, and Cairo—while Eisenhower, Alexander, and MacArthur transformed blueprints into victories—many an unsung hero kept the home fronts functioning effectively. One such was the able, wiry, modest-mannered president of The First National Bank and Trust Company, of New Haven.

On February 11, 1943, Mr. Steele reported that war damage insurance had been placed on all cash and securities at 42 Church Street. In March, he outlined procedures related to "ration point banking" for accounts made up of coffee, sugar, gasoline, and processed foods. In June, he asked Director and Economics Professor Fred Fairchild to lecture to the Board about "The Morgenthau-Keynes plans for Monetary Stabilization in the Postwar Period." During the fall, he reported proudly that bond sales teams, made up of officers and employees of his bank, had sold seventeen per cent of all the bonds of the Third War Loan Drive

absorbed by the New Haven Metropolitan District; that seventeen per cent represented $6,303,000![1]

And then, in November, under the pressures of ill-health and age, Tom Steele sent the Board a letter, requesting that his resignation from the presidency be accepted as of January 1, 1944.

Even the normally cold aspect of a nineteen-year-old typescript cannot conceal the emotions of those concerned with this "changing of the guard."

Mr. Steele, in his letter of resignation, wrote of his gratitude to employees, officers, and directors for their loyalty "throughout a long period which has been a peculiarly difficult, exacting, and anxious one to all who have been engaged in the banking business."[2] When one recalls that the twenty years of Steele's administration included the boom and depression of 1923–1933, the recovery and reforms of 1933–1941, and the most difficult months of World War Two, he cannot help but feel that this fifth president of "The First National of New Haven" did indeed serve during a "peculiarly difficult period."

One would look far to find a more touching tribute to a bank board of directors than that contained in Tom Steele's letter: "I know of no Board anywhere, in any business, which over the years has worked together more harmoniously, or in a better spirit of mutual respect and confidence than has ours. I am certain that no one will say this has been a one-man bank, or that it has been managed by any group or clique. We have had many healthy differences of opinion, but never a lack of harmony, or of friendship. Anyone with executive experience knows what this means to any President. For it I am deeply grateful."[3]

These were not idle words. Plagued by ill-health during his last year of service, Steele had readied both his directors and his well-trained, esteemed first vice-president for the step he finally felt obliged to take. It was quickly arranged that Dwight Chamberlain would become president on January 1, with his predecessor accepting the title of chairman of the board. Resolutions, in which decent restraint failed to conceal deep affection, were adopted regarding the services of the retiring leader.[4] The most subtle

1. Bank Records, February 11, March 11, June 24, and October 14, 1943.
2. *Ibid.* Mr. Steele's letter is dated November 26, 1943.
3. *Ibid.*
4. *Ibid.*, November 26, December 9, and December 23, 1943.

evidence of Tom Steele's genius emerges from the account of his handing on the mantle of leadership. Only the truly great can both carry their responsibilities so completely and then provide for their effective succession so carefully.

When the directors met on January 13, 1944, they named the following officers: Dwight L. Chamberlain, president; Thomas M. Steele, chairman of the board; seven vice-presidents, with no one named first vice-president, a title which had been held by Mr. Chamberlain; three assistant vice-presidents, one of whom was J. Coy Reid, promoted from his previous post as credit manager; and A. M. Gesler was named credit manager. The seven basic committees were retained, as Tom Steele had set them up: Executive, Loan, Trust Department, Trust Investment, Mortgage, Bank Building, and Examining.[5]

It appears from the Minutes that the first major project that demanded the attention of the new president revolved about the problem of the convertible preferred stock that had been issued during the Bank's reorganization of 1933 and 1934.[6] The directors voted, in April, 1944, "to approve the recommendation of the Executive Committee for the sale of new Common Stock and the Retirement of the Convertible Preferred Stock." President Chamberlain told the Board, on May 11, that the plan had been tentatively approved by the comptroller of the currency, that he was negotiating with Charles W. Scranton and Company for underwriting the agreement and handling the distribution of the proposed new common stock, and that he was preparing to call a special meeting of the stockholders.[7]

On May 27, the stockholders did convene, in special session, and approved the conversion plan, "with no shares voted in the negative." A month later, the new president could read to the Board a letter from John McKeon, of the Charles W. Scranton Company, complimenting the officers of "The First" on their successful offering of 18,900 shares of common stock.[8] Both the success of this conversion of preferred to common stock and the dispatch with which it was handled must have brought considerable satisfaction to Dwight Chamberlain. He had passed his first

5. *Ibid.,* January 13, 1944.
6. See Chapter X, footnotes 15, 16, 19, and 21.
7. Bank Records, April 27, and May 11, 1944.
8. *Ibid.,* May 27 and June 22, 1944.

major test with flying colors; the public had shown its confidence in him and in the soundness of the institution which Tom Steele had prepared him to lead.

The Minutes contain the following notation under the date line of July 29, 1944: "Thomas M. Steele, President of this Bank from January 1, 1924, to January 1, 1944, and Chairman of the Board from January 1, 1944, to July 29, 1944, and a Director from January 1, 1918, until July 29, 1944, died on July 29, 1944. This brief record is made in accordance with his request."

The notation was signed "W. M. Crawford, vice-president and cashier." Its modest character was in keeping with the personality of the man who had requested it.[9]

President Chamberlain mentioned at the Board meeting, November 9, that "a traveling salesman, who has contacts with a great many banks scattered throughout the country, found the First National Bank of New Haven to be *the most friendly*."[10] The writer wonders if this offhand comment might not have been the inciting force behind the advertising slogan adopted by the Bank, ten or fifteen years later: "The Friendly First."

When the stockholders met in January, 1945, they voted to have twenty-four directors during the ensuing year. The death of Mr. Steele had reduced the number to twenty-two; the addition of Carl G. Freese and Edgar Tullock had brought the board up to twenty-four. This Directorate voted to establish two new positions among the officers: chairman of the Executive Committee, Frederick D. Grave; and an additional assistant trust officer, Phelps Lewis.[11]

World War Two ended in Europe, with V-E day on May 7, and in the Pacific, with V-J day on September 2. "The First" appears to have moved from War to Peace, during 1945, with its traditional, quiet self-assurance. Between the two Victory Days of May and September Mr. Chamberlain reported to his associates: "All New England Banks have shown 8.5% loss in loans from December, 1944, to June 1945, but we have registered a 5.3% gain."[12]

9. *Ibid.*, July 29, 1944. This memorandum is pasted into the Minutes Book between the entries of July 27 and August 10, 1944.

10. *Ibid.*, November 9, 1944.

11. *Ibid.*, January 9 and January 11, 1945.

12. *Ibid.*, July 12, 1945.

The next year saw a number of changes in Board and staff. The death of W. A. Warner, in 1945, had brought in Franklin R. Hoadley as a director. Among the officers, J. Coy Reid was made a vice-president; Miss Grace E. Bourne became assistant vice-president and trust officer; Dean Texido was named trust officer and Phelps Lewis assistant trust officer. On January 29, Frederick Max Adler, a director for thirty years, passed away. The Board adopted resolutions on the death of Mr. Adler, which noted that "he had followed closely in the footsteps of his distinguished father in serving both this bank and many local and State organizations, as well." C. Raymond Brock was elected a director, to replace Fred Adler, on February 28.[13]

It is interesting to note how many families have been represented by two and three generations on the Bank's Board over the years, including the Welches, Hookers, Englishes, Adlers, Barneses, and several others.

On March 27, 1947, Mr. Chamberlain reported to the directors that a group of five East Haven businessmen had applied for a bank charter, but would withdraw their application if "The First" would open up a branch in their town. "After lengthy discussion, it was voted unanimously that the officers be authorized to go ahead with an East Haven branch, provided satisfactory arrangements can be made."[14]

About six weeks later, the comptroller of the currency wired his approval of the application for an East Haven branch, which finally opened for business on July 19 of the following year. Within three days, the new subdivision built up a balance of $94,322 in checking accounts and $20,023 in savings.[15]

The death of Henry F. English on November 15, 1947, reduced the Board to twenty-three. Taking cognizance of the fact that his son, Harold K. English, was already representing the third generation of the family on the Directorate, the stockholders voted to hold the board at twenty-three members for the time being. Carl F. Hauser was made assistant vice-president and comptroller, replacing William McArthur, who retired; and Albert M. Gesler became an assistant vice-president.[16]

13. *Ibid.*, January 8, January 10, February 14, February 28, 1946.
14. *Ibid.*, March 27, 1947.
15. *Ibid.*, May 8, 1947, and July 22, 1948.
16. *Ibid.*, November 28, 1947, January 13 and January 22, 1948.

Wilson H. Lee died in May, 1948. In December Albert S. Redway agreed to accept election to the Board in January. Although President Chamberlain reached retirement age that fall, the directors requested him to remain in active service. He agreed.[17]

Mr. Grave, chairman of the Executive Committee, and Mr. Gumbart negotiated for property at 84 Broadway. And, following their success in obtaining it, the Board applied to the comptroller of the currency for opening another branch, at that location. On October 10, 1951, the Broadway branch of The First National Bank of New Haven commenced to do business.[18]

The death of director Mahlan H. Marlin, in September, 1949, led to his replacement January, 1950, by Walton D. Lynch. Harold K. English, after twenty years service as director, passed away in February, 1950. For the time being, his place was left unfilled.[19] John E. English and Donald F. Bradley were appointed assistant trust officers, with the commentary that they were "well and favorably known in business and financial circles."[20]

An interesting entry appears in the Minutes for January 11, 1951: "Joseph H. Allen made Senior Vice-President, with the possibility of his eventual election to the Presidency. Mr. J. Coy Reid made Executive Vice-President, in charge of loans. If Reid continues to develop, he would eventually be the logical successor to Mr. Allen."[21]

This entry indeed proved prophetic! Joseph Allen became the seventh president of "The First," in 1955. J. Coy Reid became its ninth president, in 1960.

17. *Ibid.*, December 23, and November 26, 1948.

18. *Ibid.*, February 24 and October 27, 1949, April 27, 1950, and October 11, 1951.

19. *Ibid.*, October 27, 1949, and February 23, 1950.

20. *Ibid.*, June 22, 1950.

21. *Ibid.*, January 11, 1951.

XII

The Tenth Decade, 1953–1962: Continued Expansion and a New Headquarters

WHILE the population of the city of New Haven remained virtually static between 1953 and 1962, this tenth decade in the Bank's history was characterized by steady expansion, growth, and plant improvement. The explanation of this may be found partially in the growth of suburban communities, which surrounded the Elm City proper; and partially in the policy to encourage branch banking. To the historian, attempting an appraisal of the situation objectively, these two factors appear interminably interwoven. If the increased demands for banking facilities move into the outlying districts, then aggressive, imaginative institutions must supply such facilities. Furthermore, if the crisis of 1933 suggested the weaknesses of separately organized, independent, small suburban banks, then the presence of a subdivision of a powerful city fiscal corporation in a neighboring town would be welcomed with enthusiasm. And the federal government, aware of all this, was encouraging the national banks to expand and extend their services.

Nor was this over-all trend limited to banking. Department stores, ten-cent stores, clothing stores, and other commercial enterprises, all over the country, were adapting to the pattern of suburban living by establishing branches in towns and shopping centers on the outskirts of cities where they maintained large central emporia.

An interesting feature of this expansion was a strong tendency to improve simultaneously the central, or city, headquarters of the particular enterprise involved. As an example, the brilliantly managed Federated Department Stores created so-called Fedway units for shopping marts and for outlying towns, while constantly

building up the physical plants and organizations of their in-town "big stores."

The policy makers of "The First" emerged among the pioneers of this mid-twentieth century trend in the New Haven area. It is probable that the Bank's Directorate received stimulus for thinking along new lines by constantly adding younger men to Board and staff. During January, 1953, Frank G. Chadwick was promoted to assistant vice-president, George Olson and Edward Fowler to assistant cashiers. A year later, Stanley S. Trotman, Charles M. O'Hearn, and Lionel S. Jackson—all vigorous, youthful community leaders—were made directors.[1]

On February 25, 1954, President Chamberlain informed the Board that the comptroller of the currency had approved the Bank's application to establish a Hamden branch. Negotiations were started for other branches, via mergers with small local institutions, at Milford and Guilford. The former went forward smoothly, but the latter was rejected by vote of the Guilford Bank stockholders.[2]

There was another "changing of the guard" in January, 1955. Dwight Chamberlain became chairman of the board, and his carefully prepared successor, Joseph H. Allen, became the seventh president of The First National Bank of New Haven. At the same time, J. Coy Reid was named senior vice-president, and Thomas Hooker, III was chosen a vice-president. In the Trust Department, W. G. Cleaver was appointed senior vice-president, John English and Grace Bourne, vice-presidents.[3]

President Allen, among his early official acts, invited the directors to attend the opening of the Hamden branch, April 1, 1955. With a view toward an improved central banking house, at 42 Church Street, the Board had already acquired the neighboring Poli-Bijou property. Then, in December, 1955, Allen asked the Board to confirm the purchase of the Osterweis building, next to the Bijou, for which he and Coy Reid had been negotiating; it was so voted.[4]

President Chamberlain passed away on November 30, 1955, and resolutions were adopted the following month paying tribute

1. Bank Records, January 13, 1953, and January 12, 1954.

2. *Ibid.*, February 25, 1954, June 9 and June 23, 1955, and September 22, 1955.

3. *Ibid.*, January 13, 1955.

4. *Ibid.*, March 10, 1955, and December 8, 1955.

to his unselfish services. He had continued in office long after reaching the age of retirement at the expressed desires of his associates. Allerton Brooks died in April, and Frederick H. Wiggin resigned in October. In December, 1955, Arnon D. Thomas, and in January, 1956, Carleton W. Blanchard were added to the Board. In June, 1956, J. Frederick Baker died, and in January, 1957, William J. Cooper was added.[5]

At this point in its history, the Bank became involved in the Redevelopment Program of the City of New Haven, which had been gathering headway for several years under the dynamic leadership of Mayor Richard C. Lee. The desire of the mayor, and of his distinguished planning consultant, Maurice Rotival, was to rebuild the center of the city, especially the area surrounded by Church, Chapel, Temple, and George streets. Most of the business structures in this "heartland" had been erected in the nineteenth century and were ill-suited for the needs of the modern day.

The project, due to a variety of factors, has suffered many setbacks. It has a long way to go, for reaching the goals of those who planned it—at the occasion of this writing. Historians don't evaluate undertakings like this until there is time and distance for perspective. And the writer will refrain from such judgments.

But this much may be stated now. Lee and Rotival had vision. Institutions like "The First" have tried, in flexible fashion, to make adjustments to the master plan as it has been evolving. We who love New Haven must hope that the efforts of those who have tried, and are trying, to restore the importance of "downtown" will eventually succeed.

The first attempt of the Bank to play a proper role in the Redevelopment Program had been the purchases of the Poli-Bijou and the Osterweis properties, adjoining 42 Church Street—all with the end in view of constructing additional facilities at this center-of-town location. As the plans of the mayor and his associates matured, the directors became aware that they would have to abandon the Church-Crown area and choose an alternate site for their central headquarters.

On April 11, 1957, the board discussed the writing of a letter to Mayor Lee, setting forth their views on the subject. In this letter, the directors declared that they had been acquiring property adjoining their Church and Crown site for several years with the

5. *Ibid.*, December 22, 1955, January 10, 1956, and January 22, 1957.

end in mind of constructing additional facilities; that the evolving Redevelopment plans now made such a program less desirable than a complete abandoning of the 42 Church Street location in favor of a new headquarters; that this new headquarters should be determined by the Bank itself but in cooperation with the city's over-all aim to restore the importance of the downtown area.[6]

A few months after the discussion about the letter to Mayor Lee, the president convened a special meeting of the Board, "to consider and act on a proposed consolidation with the New Haven Bank, N.B.A." The directors voted to approve the agreement of consolidation, to apply to the comptroller of the currency for his endorsement of the proposal, and to order a special meeting of the stockholders, on September 13, to obtain their ratification. The gist of the agreement provided that the name of the consolidated corporation should be "The First New Haven National Bank"; that the business should be that of "a national banking association," with headquarters at 42 Church Street; that the necessary adjustments, in the combining of the capital structures, should be made; that an "original Board of 25 Directors," representing the two institutions, be set up to manage the affairs of the Bank, after completion of the consolidation.

The original board of "The First New Haven National Bank" included the following: Alan Carmichael, Arthur L. Corbin, Jr., Abbott H. Davis, William A. Flint, Sr., Robert S. Judd, Hugh McArthur, Merritt D. Vanderbilt, Harry C. Usher, Paul M. Zorn, Joseph H. Allen, William C. Bell, G. W. Berger, C. W. Blanchard, C. R. Brock, Carl G. Freese, Frederick D. Grave, W. B. Gumbart, F. R. Hoadley, Lionel S. Jackson, Charles M. O'Hearn, Douglas Orr, Albert S. Redway, Forbes Sargent, Arnon D. Thomas, and Stanley S. Trotman.[7]

On August 22, 1957, President Allen told his Board that "the effective date of consolidation" would be September 27 and that the organization meeting of the Directorate of the consolidated organization would be September 30.[8]

Everything appears to have proceeded according to plan, except

6. *Ibid.,* April 11, 1957.

7. *Ibid.,* August 15, 1957.

8. *Ibid.,* August 22, 1957. This consolidation united the oldest bank in the area, founded in 1792, with the oldest national bank in the country. The First New Haven National Bank is the largest commercial bank in New Haven County, and one of the largest in the state.

for the untimely death of Franklin R. Hoadley, who was replaced on the new Board by William J. Cooper. It also appears that the "organization meeting," scheduled for September 30, was held earlier instead, on the "effective date of consolidation," September 27. This was apparently facilitated by a number of circumstances, including the prompt cooperation of the comptroller of the currency.

At the meeting of September 27, enormous quantities of business were transacted. New associate directors were chosen and announced, as follows: Vernal W. Bates; Spencer M. Berger; Peter J. Berry; Richard H. Bowerman; Fred R. Fairchild; Herman R. Giese; Henry W. Jones, Jr.; Abe Lapides; Charles E. Pickett; Edgar Tullock; Gourdin Y. Gaillard. A particular welcome was extended to Messrs. Spencer Berger and Abe Lapides who had not previously been members of either of the merging boards. Advisory committees were chosen for the Milford and Temple Street branches. Officers were appointed to administer the "consolidated organization" until 1958.[9]

The original officers of The First New Haven National Bank were as follows: Joseph H. Allen, chairman of the board and chief executive officer; Abbott H. Davis, former president of the New Haven Bank, was chosen the eighth president of "The First"; J. Coy Reid, first vice-president; Frederick D. Grave, chairman of the Executive Committee; George R. Willis, executive vice-president; Milton P. Bradley, Carl F. Hauser, Ralph Holbrook, and G. Harold Welch, senior vice-presidents; Thomas Hooker, vice-president and cashier; Frank G. Chadwick, George W. Kusterer, Burdette Meyer, Sidney Monroe, vice-presidents; James W. Berrie, Walter S. Fogarty, Edward H. Fowler, George F. Grillo, Richard C. Pantall, assistant vice-presidents; Walter J. Rosinus, auditor; there were to be six assistant cashiers; officers were chosen for the Chapel Street, Broadway, Temple Street, West Haven, Hamden, East Haven, Milford, and Devon branches; in the Trust Department, William G. Cleaver was named senior vice-president, with Grace Bourne, Donald F. Bradley, John English, Phelps Lewis, and Donald Myers, vice-presidents; trust officers, assistant trust officers, and investment officers, were also appointed.[10]

9. *Ibid.,* September 27, 1957.
10. *Ibid.,* September 27, 1957.

By the end of the year, the combined Corporation appears, from the Minutes, to have been functioning with remarkable smoothness. The loans totaled $41,995,154, as reported at the meeting of December 26.[11]

The consolidated institution, with its numerous branches, was not content to stand still. In April, 1958, Mr. Allen reported that the comptroller of the currency had approved a new subdivision in Allingtown. This branch opened for business six months later.[12]

A move was made, during 1958, to locate the projected new headquarters building at the former Gamble-Desmond property, opposite the Green on Chapel Street near Church. Much discussion and a considerable amount of negotiations followed. Other sites were proposed, considered, and debated about.[13] The Chapel Street location was temporarily acquired by agreement; some money was spent on it; and then, on August 24, 1959, the board voted "to surrender the Chapel Street property in view of Redeveloper Roger L. Stevens's offer to reimburse the bank for any expenses incurred there."[14]

Meanwhile, conferences had been taking place between representatives of The First New Haven National Bank and The Union and New Haven Trust Company, exploring the possibility of a consolidation of these two powerful institutions. The comptroller of the currency gave his "informal approval"; the directors of both banks signified their support of the proposal; stockholders' meetings were scheduled to vote on the matter, October 22.[15]

Just one week before the two groups of stockholders were to assemble for the purpose of ratifying the proposed consolidation into what was already named "The First Union New Haven National Bank," the Department of Justice intervened. The Anti-trust Division of the Department advised Chairman Joseph Allen that "in its opinion, the consolidation of The First New Haven National Bank and The Union and New Haven Trust Company would violate the Sherman Anti-Trust Act, and that the division would take action to enjoin the consolidation prior to its consummation." Although counsel for the New Haven banking in-

11. *Ibid.,* October 10 through December 26, 1957.

12. *Ibid.,* April 10 and October 23, 1958.

13. *Ibid.,* April 10, 1958, December 24, 1958, January 8, 1959, and June 11, 1959.

14. *Ibid.,* August 24, 1959.

15. *Ibid.,* August 13, 19, 24, and September 14, 1959.

stitutions involved doubted that the courts would uphold the position of the Antitrust Division, it was decided to abandon the proposed consolidation.[16]

Accepting their disappointment at the stand of the Justice Department, the leaders of "The First" appointed a committee at once "to make an intensive study of the Bank's building requirements, in the light of the new situation." While the negotiations with the Trust Company had been in progress, an option had been obtained on the Bradley property, near the Church Street site of that institution. If the consolidation had been effected, the headquarters would have been located in the Trust Company building at Church and Elm streets, with expansion potential provided for through the option. The directors of "The First," on November 17, 1959, voted to cancel the old option and enter into an agreement at once "to purchase said property." They now appeared to be planning a branch there.

At the same time, they authorized the Bank's officers to acquire the English property at No. 1 Church Street and the Loew's-Poli property at 23 Church. They further voted to erect a new headquarters at 1–23 Church Street, and to move there from the 42 Church location as soon as practicable.[17]

The flexibility with which the policy makers of "The First" adapted to these rapid and often unexpected changes impressed the writer even more as he reviewed them from the Bank's Minutes than when he had read about them over his breakfast newspapers.

Nor did these thwarted consolidations, abandoned options, and new purchases appear to have made any impression upon the day-to-day life of the institution. At the meeting of the Board, on December 30, 1959, the Examining Committee "indicated that the affairs of The First New Haven National Bank were being operated efficiently." During this same meeting, the Directorate voted "to proceed with the construction of an eight-story building at the northeast corner of Church and George Streets." Douglas Orr, distinguished architect and member of the Board, presented plans and drawings for his associates to consider.[18]

In January, 1960, Mr. Allen resigned as chairman of the board

16. *Ibid.,* October 16, 1959.
17. *Ibid.,* October 22 and November 17, 1959.
18. *Ibid.,* December 30, 1959.

and chief executive officer, accepting the post of associate director. Messrs. G. W. Berger, Fairchild, Pickett, and Usher retired from the Directorate. The Board of twenty-five members, as set up on January 26, 1960, now included: Messrs. Bell, Blanchard, Bowerman, Brock, Carmichael, Cooper, Corbin, Davis, Flint, Freese, Grave, Gumbart, Jackson, Judd, Lapides, McArthur, O'Hearn, Orr, Redway, Reid, Sargent, Thomas, Trotman, Vanderbilt, and Zorn. Mr. Reid had been chosen to fill Mr. Allen's place.

Two days later, Abbott H. Davis became chairman of the board and chief executive officer. J. Coy Reid was elected the ninth president of "The First."[19]

Mr. Davis reported in February that the Bank would take title to the English property on the 11th of the month, and surrender the title for 42 Church Street to the New Haven Redevelopment Agency on the 19th. Mr. Reid reported that the new Milford branch building had been opened to the public on February 23.[20]

For the next year and a half, the directors devoted considerable attention to the construction of their new headquarters at No. 1 Church Street. The contract for construction was awarded, in May, to the New Haven firm of Fusco-Amatruda at a price of $3,366,000. A year later, the directors voted "that the Bank own its new building in its own name, and that no part of the cost thereof be borrowed from outside sources."[21]

The retirement of Abbott Davis, Frederick D. Grave, and R. S. Judd from the Directorate resulted January 24, 1961, in the election to the Board of Frank G. Lyon, R. L. Stevens, and G. Harold Welch. A number of changes occurred, at the same time, among the associate directors.[22]

On August 10, 1961, the comptroller of the currency notified the Bank that he had certified No. 1 Church Street as its new headquarters address, as of July 24. The removal from 42 Church had been accomplished between July 13 and July 31 with relative ease and efficiency. President Reid sent a letter to the New Haven Police Department, expressing his appreciation for their fine co-operation during the transferral of so much valuable property.[23]

19. *Ibid.*, January 26 and 28, 1960.
20. *Ibid.*, February 11 and 25, 1960.
21. *Ibid.*, May 26, 1960, and April 13, 1961.
22. *Ibid.*, January 24 and 26, 1961.
23. *Ibid.*, July 27, August 10, and August 24, 1961.

The fifth home of the Bank, at 1 Church Street, at the northeast corner of Church and George Streets, 1961


THE FIRST NEW HAVEN NATIONAL BANK

While the directors were just getting accustomed to the comfortable, modern-style chairs in their trim meeting room at 1 Church Street, they were already voting to "authorize the officers to apply to the comptroller of the currency for permission to establish a new, center-of-town branch at 215 Church Street (the former Bradley property)."[24]

In connection with the opening of the 1961 headquarters, the Bank had arranged various appropriate activities, including "open house" for interested visitors, and a special honoring of descendants of the "five founding fathers."

This move into a fine new home, together with the prospect of a near-future centennial anniversary, stimulated considerable interest among the officers and directors in their past history. Mr. Reid reported, with obvious delight, that the Bank had received a gift from The Manufacturers-Hanover Trust Company of New York which included a statement of the condition of the old "First," as of July 11, 1895, together with an engraving of the old board room, at 42 Church, of about the same vintage, suitably framed together.[25]

The comptroller of the currency refused the request for establishing a branch at 215 Church Street, for the time being, pending the removal of objections to such a branch, which had been sent to him. On January 25, 1962, F. G. Chadwick, Jr., and Thomas Hooker, III, were reappointed senior vice-presidents. On May 10th, the directors voted "to offer to acquire the Madison Trust Company, at their invitation."[26]

The evidence of continuing growth has manifested itself, without interruption during this tenth decade of the Bank's history. The New Haven *Journal-Courier,* for August 1, 1962, reported that "The First" had sold its branch at Temple and Crown streets, acquired through consolidation with the New Haven Bank, to the New Haven Savings and Loan Association, for a price of $285,000. Of still greater pertinence to the story of the current expansion of "The First" was the additional information that the latter was now planning to replace the Temple Street subdivision with a new branch to be located at 215 Church Street. Donald F. Bradley, vice-president of The First New Haven National Bank,

24. *Ibid.,* August 10, 1961.
25. *Ibid.,* October 11, 1961.
26. *Ibid.,* November 22, 1961, January 25 and May 10, 1962.

told the *Courier's* reporter: "The Comptroller of the Currency has the matter of the transfer from Temple Street to 215 Church Street now under consideration. A decision is expected in a short time."[27]

Since the location at 215 Church Street was the one which the comptroller had refused to license in November, 1961,[28] we must conclude that the officers of "The First" now felt that the previous stumbling blocks were no longer frustrating them, eight months later. Should the comptroller agree to this branch on the site of the old Edward M. Bradley Company, The First New Haven National Bank will enjoy two strategic sites on that same Church Street, where they opened their doors for business in 1863.[29]

And so The First New Haven National Bank approaches the end of its first century.

Through decades of diversity and changes of complexity, it has maintained a stubborn adherence to the basic principles of its founders: pioneering spirit; conservative operation; civic-mindedness; careful training of its future leaders; high quality for its Directorate and officers; the sense of a major role in the industrial and commercial life of the area it serves; loyalty to the idea of a national banking system, as Salmon P. Chase had conceived that idea.

When the author reflects upon these hundred years of growth, he feels much like a biographer reviewing the life he has written of a worthwhile individual. The similarity is striking. But there is a single, significant difference. The individual dies; and his projection, after death, can be only in terms of memory or detached influence. An institution, like this Bank, possesses the power to live on—through a second century—perhaps even longer—being vibrant and increasingly useful.

May the oldest national bank in our country be ever mindful of its proud past, as it goes forward where the path leads.

27. New Haven *Journal-Courier*, August 1, 1962.

28. See footnotes 24 and 26 of this chapter.

29. On Friday, August 10, 1962, President J. Coy Reid announced that the branch at 215 Church Street had been approved, and would open for business, in September.

The Original Charter of the Bank, dated June 20, 1863

Treasury Department,

Office of Comptroller of the Currency,

Washington, June 20th 1863.

Whereas, *by satisfactory evidence presented to the undersigned, it has been made to appear that the* First *National Bank of* New Haven *in the County of* New Haven *and State of* Connecticut *has been duly organized under, and according to the requirements of the act of Congress, entitled "An act to provide a national currency, secured by a pledge of United States stocks, and to provide for the circulation and redemption thereof, approved February 25, 1863, and has complied with all the provisions of said act required to be complied with before commencing the business of Banking:*

Now, therefore, *I,* Saml. T. Howard acting *Comptroller of the Currency, do hereby certify that the said* First *National Bank of* New Haven *County of* New Haven *and State of* Connecticut *is authorized to commence the business of Banking under the act aforesaid.*

In Testimony Whereof, *witness my hand and seal of office, this* twentieth *day of* June *18*63.

Samuel T. Howard

Acting *Comptroller of the Currency.*

Appendix I: Presidents and Directors of the Bank, 1863–1963

PRESIDENTS

Welch, Harmanus M., *1863–1889.*

Welch, Pierce N., *1889–1909.*

Hooker, Thomas, Sr., *1909–1918.*

Manson, John T., *1918–1923.*

Steele, Thomas M., *1924–1943.*

Chamberlain, Dwight L., *1944–1954.*

Allen, Joseph H., *1955–1957.*

Davis, Abbott H., *1957–1959.*

Reid, J. Coy, *1960–*

DIRECTORS

Adler, Frederick M., *1916–1946.*

Adler, Max, *1895–1916.*

Adt, Howard E., *1918–1923.*

Allen, Joseph H., *1955–1959,*
Associate Director, 1960–1961.

Alling, David R., *1918–1921.*

Baker, J. Frederick, *1936–1956.*

Barnes, Amos F., *1863–1890.*

Barnes, T. Attwater, *1890–1902.*

Bates, Vernal W., *1918–1957,*
Associate Director, 27 September–22 November, 1957.

Bell, William C., *1943–*

Bennett, Thomas G., *1914–1924.*

Berger, George W., *1921–1959.*

Berger, Spencer M.,
Associate Director, 1957–

Berry, Peter J., *1940–1957,*
Associate Director, 1957–1959.

Blanchard, Carleton W., *1956–*

Bowerman, Richard H.,
Associate Director, 1957–1959,
Director, 1960–

Bradley, Frederick T., *1918–1940.*

Bradley, Robert S.,
25 February–10 June, 1926.

Brock, C. Raymond, *1946–*

Brooks, Allerton F., *1930–1955.*

Bryant, Thomas W., *1918–1926.*

Bunnell, Fred B., *1910–1924.*

Burgess, George F., *1918–1929.*

Camp, Hiram, *1888–1893.*

Carmichael, Allan R., *1957–*

Chamberlain, Dwight L., *1923–1955.*

Chatfield, Minotte E., *1918–1925.*

Coombe, Reginald G., *1962–*

Cooper, William J., *1957–*

Corbin, Arthur L., Jr., *1957–*

Davis, Abbott H., *1957–1960,*
Associate Director, 1961–

Day, Harry G., *1918–1922.*
DeWind, Adrian, *1962–*
English, Benjamin R., *1892–1915.*
English, Harold K., *1930–1950.*
English, Henry F., *1890–1947.*
English, James E., *1863–1890.*
English, Lewis H., *1932–1938.*
Fairchild, Fred R., *1938–1957,*
Associate Director, 1957–1959.
Flint, William A., Sr., *1957–*
Freese, Carl G., *1944–*
Gaillard, Gourdin,
Associate Director, 1957–1959.
Galpin, Samuel A., *1892–1902.*
Giese, Herman R.,
Associate Director, 1957–
Grave, Frederick D., *1932–1960,*
Associate Director, 1961–1962.
Graves, Henry S., *1936–1941.*
Greeley, Edwin S., *1918–1919.*
Gumbart, William B., *1933–*
Hadley, Arthur T., *1899–1930.*
Hoadley, Franklin R., *1946–1957.*
Hook, James W., *1926–1933.*
Hooker, Thomas, Sr., *1895–1924.*
Hooker, Thomas, Jr., *1918–1936.*
Hosley, H. Everton, Dr., *1925–1934.*
Hosley, H. Everton, Jr.,
Associate Director, 1958–
Hotchkiss, Frederick G., *1908–1933.*
Jackson, Lionel S., *1954–*
Jones, Henry W., Jr., *1939–1957,*
Associate Director, 1957–
Judd, Robert S., *1957–1960.*
Kraft, Albert W., *1932–1933.*
Lapides, Abe,
Associate Director, 1957–1959,
Director, 1960–1962.
Lapides, Robert E., *1963–*
Lee, Wilson H., *1918–1948.*
Lynch, Walton D., *1950–1953.*
Lyon, Frank G., *1961.*
MacArthur, Hugh, *1958–*
McKeon, John J., *1932–1934.*
Malley, Wallace W., *1938–1956.*
Manson, John T., *1918–1923.*
Marlin, Mahlon H., *1918–1949.*
O'Hearn, Charles M., *1954–*
Oliver, Thomas B., *1918–1919.*
Orr, Douglas W., *1931–*
Otterson, John E., *1919–1924.*
Perry, Walter, *1926–1933.*
Pickett, Charles E.,
Associate Director, 1957–1959.
Porter, Joseph, *1892–1909.*
Redway, Albert S., *1949–*
Reid, J. Coy, *1960–*
Root, Edwin P., *1910–1938.*
Sargent, C. Forbes, *1953–*
Sargent, Murray, *1925–1934.*
Shaffer, William R., *1926–1952.*
Sheldon, Harrison T., *1924–1933.*
Steele, Thomas M., *1918–1944.*
Stevens, Roger L., *1961.*
Thomas, Arnon D., *1955–*
Tighe, Laurence G., *1940–1954.*
Tobler, William A., *1929–1931.*
Trotman, Stanley S., *1954–*
Trowbridge, Daniel, *1863–1893.*
Trowbridge, Frederick, *1924–1931.*
Tullock, Edgar, *1945–1957,*
Associate Director, 1957–
Tullock, Gilbert, *1924–1932.*
Tyler, Morris F., *1892–1907.*
Usher, Harry C., *1957–1959.*

Vanderbilt, Merritt D., *1957–*

Walker, Charles M., *1922–1939.*

Warner, William A., *1908–1945.*

Welch, Elisha N., *1863–1887.*

Welch, G. Harold, *1961–*

Welch, Harmanus M., *1863–1889.*

Welch, Pierce N., Sr., *1889–1909.*

Welch, Pierce N., Jr., *1909–1935.*

White, Henry C., *1902–1914.*

Wiggin, Frederick H., *1931–1955.*

Zorn, Paul M., *1957–*

Appendix II: Condensed Statement of Condition as of December 31, 1962

RESOURCES

Cash and Due from Banks	$ 38,731,036
U.S. Government Securities	22,409,157
Other Bonds and Securities	20,564,348
*Loans and Discounts	93,161,904
Federal Funds Loaned	3,500,000
Bank Buildings and Equipment	5,964,484
Other Real Estate	115,499
Other Assets	655,640
TOTAL	$185,102,068

LIABILITIES

Deposits	$161,725,835
Dividend Payable January 15	165,288
Reserves	3,338,473
Other Liabilities	6,136,863
Capital	4,722,500
Surplus	7,000,000
Undivided Profits	1,913,109
Capital Reserve	100,000
TOTAL	$185,102,068

*Less Reserves

Appendix III: Officers and Directors, December 31, 1962

OFFICERS: MAIN OFFICE

J. Coy Reid, *President*
Frank G. Chadwick, Jr., *Senior Vice-President*
Thomas Hooker, *Senior Vice-President*
George W. Kusterer, *Vice-President and Cashier*
Donald F. Bradley, *Vice-President*
Edward H. Fowler, *Vice-President*
John D. Greco, *Vice-President*
S. Lawrence Hedges, *Vice-President*
Burdette L. Meyer, *Vice-President*
Sidney M. Monroe, *Vice-President*
Richard C. Pantall, *Vice-President*
Edgar Beale, *Assistant Vice-President*
Henry W. Benedict, *Assistant Vice-President*
James W. Berrie, *Assistant Vice-President*
Robert M. Chidsey, *Assistant Vice-President*
Walter S. Fogarty, *Assistant Vice-President*
Gerald G. Hotchkiss, *Assistant Vice-President*
Michael J. Lenahan, *Assistant Vice-President*
George H. Olson, *Assistant Vice-President*
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